Guide to Community Economic Development Investment Funds

NOVA SCOTIA

Economic Development and Tourism

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Guide to Community Economic Development Investment Funds

An enhancement of the Nova Scotia Equity Tax Credit program

Communities working together to improve their well-being through increased economic activity, while providing a financial return for investors.

Community Economic Development Division
Nova Scotia Economic Development
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Check our Internet site for the most up-to-date version of this guide
www.gov.ns.ca/ecor/pubs/cedguide

Foreword

A Community Economic Development Investment Fund (CEDIF) is a pool of capital formed through the sale of shares or units to persons within a defined community. The fund is created to operate or invest in a business or businesses in that community. It must be incorporated either as a corporation or an association and cannot be charitable or not-for-profit. It must also have at least six directors from the defined community it serves.

This guide is intended for people interested in developing a CEDIF. It will assist them in preparing the Simplified Offering Document and attachments required by regulatory authorities.

The guide comprises five sections:

Part 1: A Guide to Starting a CEDIF

Part 2: A Sample Completed Simplified Offering Document

Part 3: Samples of Required Attachments

Part 4: CEDIFs at Work Across Nova Scotia

Part 5: Glossary and Appendices

More information is available by contacting the Nova Scotia Business Service Centre in your area (see Appendix A). The completed application package can also be submitted through a Business Service Centre.

The Province of Nova Scotia does not levy a charge for applications made under this program. However, there are costs associated with incorporation and the Nova Scotia Securities Commission charges a $25 filing fee.

We look forward to reviewing your ideas for a Community Economic Development Investment Fund for your community.

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A Guide to Starting a CEDIF

Program Information

Introduction

The Province of Nova Scotia recognizes that communities know best their assets and aspirations and, as such, has adopted a supporting role in community economic development. It is in this capacity that is has developed a program called Community Economic Development Investment Funds, or CEDIFs — to further encourage communities to invest in themselves and determine their own futures.

The formation and equity ownership of CEDIFs were permitted following amendments to both the Equity Tax Credit Act and the Nova Scotia Securities Commission. These amendments were, in fact, a direct result of the success of the Nova Scotia Equity Tax Credit program.

In 1993, the government established the Equity Tax Credit — a personal tax credit of 30% — to encourage residents to invest in Nova Scotia small businesses. The tax credit allows equity investment in corporations, co-operatives and community economic development initiatives. In the case of corporations, eligible investments must be newly issued common voting shares without par value.

CEDIFs were developed as an enhancement to the tax credit program. In addition to the 30% tax credit, investments in CEDIF corporations and co-operatives are:

- partially guaranteed by the Province of Nova Scotia
- are pre-approved holdings for self-directed RRSPs
- can attract investment through community solicitation
- assist or develop local businesses within the community

To apply for registration as a CEDIF corporation or co-operative, a Simplified Offering Document must be prepared by a CEDIF's board of directors and filed with Nova Scotia Economic Development. Upon satisfactory review by the department's Community Economic Development Division, copies of the document are forwarded to the Nova Scotia Securities Commission and Department of Finance for concurrent review. Approval of the tax credit lies with the Department of Finance, whereas the securities commission decides upon the proposed public offering.

This guide describes the CEDIF component of the Nova Scotia Equity Tax Credit program. It is intended to assist members of communities interested in developing a fund. For information on the Nova Scotia Equity Tax Credit program for corporations and co-operatives, contact the Nova Scotia Department of Finance, Fiscal Policy Division, at (902) 424-7379.

Community Economic Development Defined

Community development is the process of assisting residents to take responsibility in their community and assembling the resources to respond to their needs.

Economic development (growth promotion) programs help communities to adjust to changing economic times by preserving and stimulating existing businesses, helping the community expand and diversify its economic base, removing barriers to economic growth, and encouraging new businesses to locate in the community.

Community economic development combines community development and economic development principles to regain some control of the local economy from the market and government. It is a locally driven process to improve the economic viability of communities and to focus the resources of the area on economic growth. It leads to increased employment and income and an improved quality of life for the citizens of the community.

> *"CED can work, but it's not easy. It takes a sustained, long-term effort which requires not only huge amounts of volunteer time but also seed money and investment capital.... New businesses need access to our own savings, which constantly flow out of the province into RRSPs, pension funds and other capital pools.... The province has put forward changes to the Securities Act and Regulations which will attract investment to CED ... and into community investment."* [1]

Throughout 1996-98, extensive public consultations made it clear that additional sources of funding should be developed from within a community. Communities should be encouraged to take charge of their own initiatives and retain local autonomy with respect to investment decisions. To be successful, community members must participate in the process and take responsibility for their own development. Government cannot drive the process.

The CEDIF program is a new approach that encourages the formation of capital pools throughout the many diverse regions of Nova Scotia. The tax credits and guarantees offered to investors in CEDIFs, under the Nova Scotia Equity Tax Credit program, should accelerate the pace at which communities develop and implement viable projects.

[1] From an article by Silver Donald Cameron, "People-centred Economics," *Open to the World*, Summer 1997.

Nova Scotia Equity Tax Credit Program

The Nova Scotia Equity Tax Credit was introduced in 1993 and revised in 1995 after extensive public consultation. It is designed to help new and existing small businesses secure equity capital through the provision of a personal tax credit for investors.

The Equity Tax Credit is calculated at 30% of the investment made, to an annual maximum credit of $9,000 on a $30,000 investment. The investment can be made at any time during the year in which the investee company has an active registration, or within 60 days past December 31, as with RRSP contributions.

Individuals receive the tax credit through the existing income tax mechanism. When an individual files his or her federal and Nova Scotia tax return for the year, form NSETC-1 issued by the Nova Scotia Department of Finance is attached. The investor is credited the Nova Scotia tax otherwise payable by the amount shown on the form. If the amount of the credit exceeds the amount of Nova Scotia tax payable, the balance can be carried back three years and/or forward seven years, until the full value of the credit is used. The credit is not refundable — that is, you cannot receive a credit in the year higher than the amount of Nova Scotia tax payable.

Eligibility criteria of the Nova Scotia Equity Tax Credit Act include:

- the corporation or association is incorporated
- the corporation has authorized capital consisting of shares without par value
- at least 25% of wages and salaries are paid in Nova Scotia
- the corporation or association has assets, or revenues, of less than $25 million, including assets and revenues of its affiliated corporations or associations
- more than 90% of the fair market value of the property of the corporation is used in an active business or invested into a business that meets this criteria

CEDIFs have all the benefits that companies or co-operatives obtain by registration under the Equity Tax Credit program. In addition, CEDIFs are also eligible for the following additional benefits, including:

- pre-approved holding for self-directed RRSP–Subsection 4900 (1) (i.11) of the Federal Income Tax Regulations
- 20% provincial guarantee (4 years)
- wider investor pool (can attract greater investor interest from the community)
- support from Nova Scotia Economic Development's network of Business Service Centres in completing the application process

Eligible Investors

Any resident of Nova Scotia over the age of 19 with a bona fide reason for investing is an eligible investor for a CEDIF.

Note: The individual must be a resident in the year in which the investment is made. No provision is currently available for past or future Nova Scotia residents, i.e., former residents working outside Nova Scotia who intend to return or individuals who are planning to relocate to Nova Scotia for employment or retirement.

What is a Community Economic Development Investment Fund

A CEDIF is a pool of capital, formed through the sale of shares or units, to persons within a defined community, created to operate or invest in local business. The CEDIF can be incorporated as a corporation (Registry of Joint Stocks), or as a co-operative (Cooperatives Branch, Economic Development). It cannot be charitable, non-taxable, or not-for-profit, and it must have at least six directors elected from its defined community.

An investment fund is an entity that offers its shares or units to various investors so as to provide a cost-effective means of obtaining professional investment management services and diversified investments. Investors cannot assume that a CEDIF will seek professional investment management services, nor that it will possess such expertise in-house. Income is earned primarily through interest, dividends and capital gains.

In recent years, the growth of financial assets has skyrocketed. It is estimated that more than one-third of Canadian households now own mutual funds. Unfortunately for Nova Scotia, these funds draw far more capital from the region than is ever reinvested in the province. Statistics Canada data indicate that approximately $615 million was contributed to RRSPs in 1996 by Nova Scotia taxpayers. However, less than 2% of that is estimated to have been reinvested in the province.

This is a problem for communities in two ways: first, it is often difficult to attract venture capital to invest away from their home location, and second, each investment dollar spent in a community circulates through the economy, creating a beneficial ripple effect. Most of our investment dollars are benefiting the Ontario economy.

By facilitating the formation of CEDIFs, the government aims to increase the amount of capital reinvested in Nova Scotia to 5% by the end of the year 2003 and increase this figure by at least 1% annually thereafter. Having local capital available for investment will reduce the size of the financing hurdle for local entrepreneurs, thereby increasing the number of projects undertaken. In addition, people within these communities will start to think more as entrepreneurs and may be more comfortable establishing a commercial venture.

A CEDIF can operate under a variety of scenarios. The following four are envisioned to encompass the majority of applicants:

1. Direct investment in or operation of a business key to the economy of the community
2. Flow-through investment into one key business opportunity
3. Raising of capital within the community to be allotted among key businesses

4. A "blind pool" whereby investors do not know where their investment dollars will go at time of investing in the CEDIF

The capital raised through a CEDIF will be invested into community enterprises that will normally share most, if not all, of the following characteristics:

- employee ownership (full or partial)
- local ownership and control
- membership/ownership open to all persons within the defined community
- a mission that includes community improvement as a central theme
- a commitment to being a good employer regarding wages, opportunities, etc.
- not movable and not subject to being bought out
- the board of directors serves *pro bon publico* (for the public good)

Note: Readers not familiar with mutual funds are advised to seek out information from a financial advisor. The CEDIFs described here are similar to small locally focused mutual funds that do not enjoy the benefits of easy-trade ability. Since there is little or no liquidity, the funds are not redeemable upon demand and investors can only sell under conditions outlined in item 57 of the offering document.

Prohibited Uses of CEDIFs

The funds raised by a CEDIF can generally be used for any purpose not specifically excluded by regulation. These exclusions include:

- lending, except subordinated debt
- purchasing shares in companies that are not eligible
- paying dividends or repaying shareholder debt
- redemption of shares

This program is for economic development, and the project must have a measurable financial return. It is not meant as an alternative manner to finance projects that are more accurately described as municipal infrastructure. For example, a community may want to develop a park that it feels will benefit the local population. While this may be a worthwhile endeavour, it does not produce a revenue stream and is therefore not an eligible use of funds raised through a CEDIF.

Getting Started

How to Organize a CEDIF

A CEDIF must develop within the community. Any individual or group can form a working group to investigate the possibility of starting a CEDIF in his or her community. There is no direct funding available to cover the costs of startup. However, should a community offering be completed, the promoters can seek to recoup their out-of-pocket costs from the proceeds of the offering.

Staff of the Business Service Centres of Nova Scotia Economic Development and/or a local regional development authority (see appendices A and B) will work closely with interested groups and provide technical assistance.

Regardless of where the initiative comes from, or who leads it, involvement by a wide range of community groups is essential to the process. A high level of public involvement must occur. The greater the number of persons involved, the greater the likelihood of natural leaders emerging to carry the process to fruition.

A wise man was once asked: "When is the best time to plant a tree?" His reply: "Twenty-five years ago." The next question posed: "What if I haven't planted a tree?" The response: "You should plant one today." As a tree requires time to grow, time is also required for communities to build an economic base. The only way to begin is to begin!

It is often difficult to envision a local venture capital corporation operating effectively within your own community. Don't you need experts? Where will we find them? The answer to both of those questions is usually: You need persons who possess skills in business evaluation and they are already in your community. The key to initial success is identifying and attracting these people to participate in the CEDIF.

The next question usually raised is a reference to a lack of money within the community. How will we attract investment? The amount of money that sits in the accounts of even the smallest communities in this province is substantial. To see how much your community members contributed last year to their individual RRSPs, contact Statistics Canada and ask for report #17C0006, titled RRSP Contributors. However, a CEDIF need not be large at its formation. A small initial offering followed by annual or semi-annual offerings will quickly grow to be a substantial capital pool for local investments.

One of the first things to be undertaken by interested groups is the preparation of a community economic development strategy. This strategy is a framework for the achievement of economic goals and objectives established by the community. The strategy exercise leads to a report that describes the economic development activity that a community hopes to accomplish and how they can move toward the goal. This report forms the basis for a written plan of action, called a community economic development plan.

The completed plan may be a useful promotional tool that can be used to attract new business for the community. Developing the strategy and plan encourages residents to work together toward common goals. Thus, preparing a plan can be a beneficial exercise in itself.

Achieving consensus is one of the difficulties frequently experienced in developing any plan. It is useful at the outset to establish guidelines and define what will constitute consensus.

The group must remember this is a learning experience for all involved and expect delays to occur throughout the process.

Defining the Community Economic Development Plan

One of the first tasks that needs to be undertaken by the individual/group is to define the community in which the CEDIF will operate. It is essential that some initial parameters be set within which to seek out support for the CEDIF. This defined community, however, is not "carved in stone" and may change as the plan evolves.

A community has considerable flexibility in how it prepares its community economic development plan. Factors influencing the approach include the community's size, its range of its interests, and the human and financial resources available. The publication *A Guide to Preparing a Community Economic Development Strategy*, available from Nova Scotia Economic Development, will help in this process.

Generally, the following activities are part of the process:

- research and analysis of economic factors
- interviews with representatives of major employers, business and community organizations, economic sectors, and government agencies
- public meetings
- consensus building
- writing the strategy report

Communities should be diligent in their sourcing of available information. They should avoid the trap of "reinventing the wheel." Regional development authorities have been established throughout many areas of Nova Scotia. Where available, their expertise should be sought. This does not limit groups from exploring new initiatives; it is merely a suggestion to access available resource material — and perhaps Steps 1, 2 and 3 set out below will have already been completed.

The development of the plan can be viewed as a five-step process:

Step 1 Assemble a community profile — an overall description of the community based on factual material

Step 2 Analyse community strengths and weaknesses

Step 3 Formulate goals — initial blueprint for community growth

Step 4 Establish targets — quantify goals (how much and when)

Step 5 Select programs and projects — brainstorm

Participation by members of the community varies from step to step. In some stages, involvement by a small committee is sufficient. At others, a broad range of community opinion is needed. Consultation with persons outside the group may be beneficial at any stage.

Application Procedure

The process of making a public offering of shares to the public is one that must be completed under strict conditions. It requires a Simplified Offering Document, a legal requirement that must be completed carefully, accurately and completely. While there is nothing inherently difficult about the process, a lack of familiarity with such legal documents and the amount of information required do make for a lengthy procedure.

Once the Community Economic Development Corporation is formed and intends to make a specified issue of shares, it is required to submit a completed Simplified Offering Document, an Equity Tax Credit application form, and the required attachments to one of the 11 Business Service Centres of Nova Scotia Economic Development located around the province. Part 2 of this guide gives an example of a completed Simplified Offering Document. Required attachments include:

- the T2 and financial statements of the corporation for the preceding taxation year, if applicable; this will not apply to a new CEDIF
- either the Corporation Constitution or the Articles of Association, depending on whether the CEDIF is a corporation or co-operative
- a copy of the community economic development plan, which will provide a mission statement outlining the economic development strategy of the CEDIF for the community it will serve; the amount of equity capital to be raised under the plan; a full description of share attributes; and administrative information on the shares to be issued (e.g., the procedure for obtaining the tax credit receipt)
- any information prescribed by regulation
- any other information that may be required in order to determine compliance with the Securities Act and regulations (e.g., a list of proposed investors, a business plan, and financial statements)

Part 3 of this guide provides copies of the necessary forms and some examples of required attachments.

Note: No individual can control more than 20% of the corporation. The issue must comply with the Securities Act. The issue must be consistent with the spirit and intent of the act and regulations.

"Listen. Study. Discuss. Act."

Father Moses Coady, circa 1861

Simplified Offering Document

The Simplified Offering Document must be completed by the corporation. It outlines what the investor is buying with his or her investment funds. It details who is making the shares or units available, what the total value of the offering is, and how the funds are to be invested. Completing this document is key to establishing a CEDIF.

Note: This is a legal document and requires careful input. The corporation should seek legal advice before submitting a completed Simplified Offering Document.

Nova Scotia Economic Development created a hypothetical corporation, Testco Limited, to validate the process real companies will undergo during the CEDIF application process. Staff started by discussing what they wanted to accomplish, where they planned to operate, and other basic issues. To ensure no future bias within the program, a fictitious place called Anytown, located in Anycounty, was used as the CEDIF's defined community. The resulting package has been included as Part 2 to help guide applicants though the process.

The legal documents incorporating Testco are modified versions of what is available from the Registry of Joint Stock Companies. These will be prepared by your lawyer as part of the incorporation procedure. They are included in this guide purely to illustrate the documents for those not familiar with them; they are not meant as templates for incorporation.

Once the Testco offering document was drafted, it was sent along with a CED plan and balance sheet to the Manager of Community Investment Funds, Nova Scotia Economic Development, who submitted the application package to the Nova Scotia Securities Commission on behalf of the CEDIF group. Commission staff provided initial comments and suggestions to improve the disclosure to investors in approximately two weeks. These suggestions were then incorporated into the Testco document.

Multiple submissions to the commission will likely be required before a corporation receives a "letter of non-objection," which is required prior to soliciting investment. Applicants should be aware that the time required to review the offering document will vary according to the quality and completeness of the document. The process is illustrated in the next section.

Note: The Department of Finance and the Nova Scotia Securities Commission will not consider any proposal that does not use the approved Simplified Offering Document.

How the Process Works

CEDIF Group (any size)
Defines CEDIF opportunity, appoints six members to an interim board of directors, completes documentation on behalf of CEDIF community group.
Business Service Centre/ Regional Development Authority/ Community Business Development Corporation
Works with CEDIF board of directors to complete documents according to regulations. When completed to everyone's satisfaction, the Business Service Centre forwards the documents to Economic Development in Halifax.
Community Economic Development Division (Nova Scotia Economic Development)
Processes documents and submits on behalf of CEDIF group.
Nova Scotia Securities Commission
Target approval within 30 days of submission. (Depends on quality of document filed)
Nova Scotia Department of Finance
Target approval within 30 days of submission. (Depends on quality of document filed)
Business Service Centre (Nova Scotia Economic Development)
Continues to work with CEDIF as necessary.

Specific Roles and Requirements of Regulatory Bodies

The Manager of Community Investment Funds co-ordinates the overall delivery and promotion of the program. Comments, questions or concerns regarding any aspect of the program or its delivery agents can be forwarded directly to the manager (see Foreword).

A CEDIF must adhere to the requirements imposed by the following provincial authorities:

Nova Scotia Economic Development

The Community Economic Development Division of the department co-ordinates overall program delivery, with information and technical expertise available from their Business Service Centres throughout the province (see Appendix A). Initially, the local Business Service Centre is the only government contact CEDIF groups need to make.

Staff at the Business Service Centres have information on a wide range of public and private programs. Some of these centres are located with regional development authorities (see Appendix B) or other agencies, such as community business development corporations (see Appendix C), that support community economic development work. All of these agencies work together to ensure the public has access to the right federal, provincial, or municipal programs to fit individual or group needs.

As the application proceeds, staff of Nova Scotia Economic Development will ensure CEDIF documents are completed properly. They also submit completed documents to the proper authorities. As stated earlier, final approval of the CEDIF lies with the Nova Scotia Department of Finance, while the Nova Scotia Securities Commission is responsible for all public offerings in the province.

Nova Scotia Department of Finance

This department is responsible for the granting of registration certificates upon satisfaction of stated requirements and the issuance of individual tax receipts. Finance is one of the agencies responsible for policy changes affecting this program. The CEDIF group will not normally initiate correspondence directly with this department.

Nova Scotia Securities Commission

Since this program involves the sale of securities to the public, the issuance falls under the jurisdiction of the securities commission.

The commission administers the Securities Act, which provides protection for Nova Scotia resident investors in the securities markets in the province. Investor protection is effected by rules requiring proper disclosure of relevant information to permit investors to make informed decisions and requiring fair practices by market participants.

Securities regulation is not primarily concerned with passing judgment on the investment merits of particular securities. Rather, it has as its focus investor protection. The commission fulfils its investor-protection mandate first and foremost, with capital formation to occur only under its strict conditions.

Note: There is no attempt by any official of government to evaluate the attractiveness of any investment.

Ownership and Operations

To this point, the information provided was related primarily to the formation of a CEDIF. Now we shift our focus to the ownership and operation of the CEDIF.

Corporate Structure: Corporation vs. Co-operative

The organizational structure supporting the CEDIF can be either a corporation or a co- operative. The application process to be followed is virtually identical and there is no inherent advantage to either structure. The decision should be based upon the experience of the organizers — what are they more comfortable with?

The fundamental difference between corporations and co-operatives is the manner in which the shareholders exercise their voting privileges. Corporations follow the golden rule: "He who has the gold makes the rules." That is, individuals vote based upon the number of shares they own, and therefore, the largest investors have a greater say in the affairs of the company. Co-operatives, on the other hand, grant each person a single vote, and therefore, the size of investment made does not bear on the relative influence an individual has in matters brought to a shareholders' vote.

The following illustration may prove useful:

Individual Investment	Shares/ Units	Votes
Corporation structure	@ $10 per share	
$1,000	100	100
$5,000	500	500
$10,000	1000	1000
Co-operative structure	@ $10 per unit	
$1,000	100	1
$5,000	500	1
$10,000	1000	1

When determining the structure of the CEDIF, the group should consider the types of investors it plans to target and whether these individuals would be more supportive of one form over the other. People tend not to invest in things they do not understand, and as a result, the structure chosen is important to the viability of the organization.

Decision-making, Board of Directors and the Annual General Meeting

Corporations are owned by their shareholders, who elect a board of directors at the annual general meeting to handle decision-making for the company for the upcoming year. The board of directors may be voluntary but this is not required.

"...The board of directors doesn't meet every day. Some meet once a month, others just gather at each annual meeting.... The board's job is just to help provide a framework for the company to use in its daily operations. Thus, its main job is to appoint officers or executives to actually run the business' day-to-day activities (CEO, COO, CFO, etc.)." [3]

Note: Any person asked to serve on a board of directors should consult with legal counsel prior to agreeing to act in this capacity as there are legal liability issues that may arise during the provision of director's duties.

Financial Returns from an Individual's Investment

The returns received from an investment in a CEDIF cannot be accurately estimated at the time of investment. The upfront tax benefits can be calculated, but the returns generated from operations will depend upon the performance of the investments made by the CEDIF. Most CEDIFs will not declare a dividend in the initial years of operation, and capital gains will be limited due to resale restrictions. When evaluating CEDIFs, individuals should consider them a long-term investment.

A Cautionary Note

Although the establishment and operation of a CEDIF may seem relatively straightforward, there are several potential problem areas and risks that should be noted.

First, since capital is being raise from the community through a public offering, the CEDIF group must follow proper securities procedures.

Second, deciding on viable investment targets require special skill that is not widely available. Venture capital companies pay well for this expertise and it is not realistic to expect it to be available in each community. Indeed, there may be only a handful of such people in the entire province.

Finally, the risk to the investor should be regarded as quite high. There is likely to be little in the way of diversification built into the investment on the grounds that it is either all in one business or in a few businesses all located in the same area. Relative to other investment choices available in the market, the investor may have limited interest in a CEDIF.

[3] *The Motley Fool, Rule Maker Portfolio*, Step 8: Company Ownership and Partnership.

Questions and Answers

1. **What is a community?**

   A community under CEDIF guidelines is a specific area, without limiting the size. In most cases, community is defined by geographical area (e.g., municipal unit or county). However, other criteria such as culture may also apply to certain communities. A "spirit of commonality" must prevail. The key is for the CEDIF to define, from the outset, what the community will be.

   When groups are deciding how they will define their community, they should be mindful of the pros and cons of a broadly defined community. The broader the defined community, the larger the pool of potential investors and board members. However, this must be considered against the lack of community identification if the defined community expands beyond a reasonable size.

2. **Can a community start a CEDIF without a specific project?**

   Yes. While CEDIF groups may find it easier to attract interest within their defined community with a specific project, they can opt to start a fund prior to identifying a company as long as they meet all of the program regulations.

3. **Who should we speak with first?**

   Staff in your nearest Business Service Centre (Appendix A) are available to discuss your ideas. Local regional development authorities (Appendix B), or community business development corporations (Appendix C) can also provide direction to the group, if more convenient.

4. **Is there any money available from government (e.g., Atlantic Canada Opportunities Agency, Enterprise Cape Breton Corporation, Nova Scotia Economic Development) to cover administrative or operating costs?**

   No. There is no existing program to provide for this type of assistance. A community must rely on its own energies and potential, and the drive and commitment of its residents, to develop effective Community Economic Development Corporations.

5. **What do CEDIFs use for startup capital? Operations?**

   Potential sources for startup capital include local corporations that may be users of the fund, municipalities that would have a vested interest in seeing such funds develop, local entrepreneurs, community or business leaders, as well as cultural groups, or even unions. A portion of the funds raised or investment earnings should be allowed to be used for reasonable administration costs.

   Additionally, local business support could be sought to provide some of the required administration (office space, printing, postage, etc.) and/or in-kind services.

6. **Does a CEDIF require staff?**

   Yes. Volunteers normally fulfil administrative needs part time. No corporation can exist without some administration. However, it is expected that an efficient Community Economic Development Corporation can operate with minimal administrative expenses through the use of available resources noted in question 5.

7. **How do you convince individuals that they have a role to play in investing in their own community and to replace savings in "safe instruments" with investments in comparatively risky ventures?**

   One of the functions of development funds should be to educate the community as to the role of investment in the community. This education should include a description of the obligations of the investor and the corporation, and the differences between equity and debt instruments (dividends vs. interest). The funds should be promoted as a supplement to "guaranteed investments" and not necessarily as an alternative.

8. **Why is the government supporting this initiative? What is the benefit to the province?**

   Many individuals in the province have some form of savings or investment. These can be stock market holdings, RRSPs, GICs, Canada Savings Bonds, savings accounts, etc. While these all earn a return for the investor, statistics show that they are invested almost exclusively outside Nova Scotia. CEDIFs are designed to channel funds into productive investment within Nova Scotian communities, which would provide important source of capital for many local businesses. This, in turn, would strengthen the local economy and, by extension, the provincial economy.

9. **Who assesses and/or approves projects?**

   There can be no guarantee that all projects will be successful. However, by ensuring the board of directors (investment committee) consists of local individuals, with appropriate background and respected within the community, the CEDIF will have a better chance of long-term success. As previously stated, there is no attempt by any official of the province to evaluate the attractiveness of the investment.

   See the section *How the Process Works*, page 1.12, for the approval process.

10. **Can the CEDIF determine its own risk levels and asset mix? What to invest in?**

    The CEDIF will make its investment based upon the investment criteria outlined in the approved Simplified Offering Document. The means of sourcing potential investments will differ widely between CEDIFs.

11. Are the CEDIFs targeted only to small business? Or can they also be used for quasi-business community activities such as community recreation facilities?

Yes, CEDIFs can be used for community *business* activities. They are not a means of building municipal infrastructure, however. CEDIFs are profit-oriented organizations that promote income and economic growth within the community, as well as increasing the tax base.

12. What is the minimum dollar amount required to close an issue?

There is no set limit to close an issue. However, persons involved in the process have suggested a minimum effective size is approximately $100,000. The CEDIF will describe the minimum within the offering document, and this amount must be met.

13. Can an investment be made by means other than cash?

There does not appear to be any restriction contained in the regulations as to what form of consideration is used to purchase shares. If an investment is to be made by anything other than cash, this item must have a clearly demonstrated market value. Further, all information respecting any purchases of this nature must be fully disclosed in the offering document.

Any investment made in this manner should be pre-approved to the issuance of shares. Where an appraisal is required, this is the responsibility of the individual at his or her cost. Individuals must also consider the income tax implications of an investment by this means (i.e., tax on the value of the service or product provided).

14. Can a CEDIF have more than one issue?

Yes, as long as it remains consistent to the approved Simplified Offering Document. Any changes must be reported (Material Change Report) as part of ongoing reporting requirements. A new issue requires a new application, which can use the original as a template. The Issuer should consult with the Nova Scotia Securities Commission in the early planning stages of a subsequent issue.

15. How does the provincial guarantee work? What are the restrictions?

The period of guarantee is 4 years from the time of investment. If the CEDIF is bankrupt, or is valued by a certified professional to have a net asset value less than 20% of the original capital invested, within the 4 years, the province will pay the investor the difference between the value of their investment and 20% of the original capital invested.

Investments made in eligible business entities located within the geographical areas comprising the former cities of Halifax and Dartmouth, the former town of Bedford, and the area commonly known as Sackville may not be eligible for the 20% provincial guarantee of eligible investments of a CEDIF as provided by the Equity Tax Credit Act. The fund may still make an investment that is not covered by the provincial guarantee.

16. Should persons who become directors be concerned with potential liability issues?

It is advisable to seek independent legal advice and/or insurance in this area (directors' liability) as part of the formative process.

17. Within a CEDIF, will loans be approved in addition to equity investments?

The program is designed to encourage equity participation in Nova Scotia companies. Any loans will be for subordinated debt only. This is debt that ranks below other creditors in case of liquidation. Debt does not participate in capital appreciation of the company in which the funds were invested.

Debt limits both the downside and upside risk to the lender; equity limits neither downside nor upside risk; and, subordinated debt takes the worst of the other two by providing marginally less downside risk, while fully limiting upside potential.

18. The "exit strategy" for equity investments is weak for the type of community economic development projects that are seen as likely candidates for the funds. Has this been addressed?

This has been discussed but at this point still not satisfactorily resolved. A successful CEDIF will be able to buy back shares from investors who wish to sell (after the required hold period). However, a workable exit plan from marginal funds has not yet been provided. Work will continue in this area, with input sought from investors, promoters and government officials from both within and outside Nova Scotia.

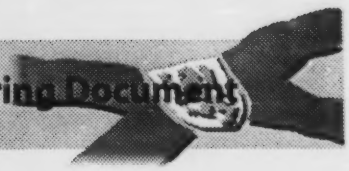
19. If there is difficulty in finding good investments for the CEDIF, are there provisions to allow the CEDIF to hold capital if it is not able to place it responsibly?

In developing this program, a problem was not envisioned in this area as there are many excellent small companies throughout the province who would be interested in equity investments. However, should investment difficulties arise, each situation will be assessed by staff of Nova Scotia Economic Development to determine the CEDIF's adherence to "spirit and intent."

20. Will it be possible for the administration of the CEDIF to be co-ordinated through a partnership arrangement (e.g., with a bank, credit union, or trust company)?

Yes, if such a partnership can be arranged by the Community Economic Development Corporation.

A Sample Completed Simplified Offering Document



NOVA SCOTIA

Economic Development
Community Economic Development

World Trade and Convention Centre
1800 Argyle Street
PO Box 519, Ste. 704
Halifax, Nova Scotia
Canada B3J 2R7

Tel: 902 424-2720
Fax: 902-424-1263

Our File Number:

November 18, 2000

Mr. Bill Slattery
Deputy Director
Corporate Finance and Administration
Nova Scotia Securities Commission
PO Box 458
Halifax, Nova Scotia
B3J 2P8

Dear Mr. Slattery:

Attached please find a complete application package for Testco Limited to utilize the Community Economic-Development Corporations Regulations to the Nova Scotia Securities Act, so as to make a specified issue of shares to persons in its community.

I have attached the Community Economic Development Plan for Testco Limited, which outlines the information required by regulation that is not included in the body of the Simplified Offering Document. I have also attached the opening balance sheet for the company as prepared internally. The CED plan, opening balance sheet and offering document are a total of 33 pages in length.

The Memorandum of Association and Articles of Association are also included for your review.

I appreciate your assistance in facilitating this community initiative and welcome comments you may have to improve the application package and/or disclosure provided to potential investors.

Yours truly,

Chris Payne
Manager, Community Investment Funds

Encls.

cc: Chris Bryant
Executive Director
Community Economic Development Division
Nova Scotia Economic Development

Printed on paper that contains recycled fibre

Testco Limited

A Community Economic Development Investment Fund

123 Main Street
Anytown, Nova Scotia
B0Q 1Q2
902-555-5555

November 13, 2000

Mr. Chris Payne
Manager, Community Investment Funds
Community Economic Development Division
Nova Scotia Economic Development
World Trade and Convention Centre
1800 Argyle Street, PO Box 519
Halifax, Nova Scotia B3J 2R7

Dear Mr. Payne:

We hereby make application to utilize the Community Economic-Development Corporations Regulations to the Nova Scotia Securities Act, so as to make a specified issue of shares to persons in our community.

We have attached the Community Economic Development Plan for Testco Limited which outlines the information required by regulation which is not included in the body of the Simplified Offering Document. We have also attached the opening balance sheet for the company as prepared internally. The CED plan, opening balance sheet and offering document are a total of 33 pages in length.

The Memorandum of Association and Articles of Association are also included for your review.

We appreciate your assistance in facilitating this community initiative and welcome comments you may have to improve our application package and/or disclosure to our potential investors.

Yours truly,

Lloyd George
Secretary-Treasurer

Encls.

Community Economic Development Plan for Testco Limited

(a) The mission of Testco Limited is to increase the level of economic activity and prosperity within the defined community* by means of the creation of a Community Economic Development Investment Fund, which will make equity and subordinated debt available to new or existing business within the boundaries of the county.

(b) The amount of equity capital to be raised by this issue is a minimum of $250,000 and a maximum of $500,000.

(c) The shares to be issued:

i) are equity shares,

ii) are of only one class without series and have never previously been issued,

iii) will only be issued from the treasury of the corporation on being fully paid for in cash,

iv) will, immediately following their issue, be registered in the name of each shareholder that purchases them or in the name of a trustee, if the shares are held by the trustee for the benefit of a shareholder, and

v) do not have any rights or restrictions prohibited by the regulations to the applicable statutes (Equity Tax Credit Act and Securities Act)

(d) that, if a share certificate is not required to be issued to each new shareholder, an investment confirmation be issued to each new shareholder within 30 days of share registration, setting out at least the following:

i) the number of shares acquired,

ii) the price paid per share,

iii) the total amount paid, and

iv) the procedure for obtaining the tax credit receipt pursuant to the Equity Tax Credit Act

* The company has defined the community, for purposes of investment, to be the County of Anycounty, Nova Scotia, including any towns or municipal units contained therein.

Schedule A

Testco Limited
Opening Balance Sheet
November 9, 2000

Assets		Liabilities and Equity	
Cash	3,500	Startup loans payable*	4,900
Incorporation costs	1,500	Common shares	100
Total assets	5,000	Total liabilities and equity	5,000

* The startup loans payable are from a financial institution and were obtained after provision of personal guarantees from directors Lloyd George ($2,450) and Maggie Smith ($2,450).

This balance sheet has been approved on behalf of the Board of Directors

Lloyd George, Secretary-Treasurer

Maggie Smith, Director

Form 1

OFFERING DOCUMENT

(Pursuant to the Community Economic-Development Corporations Regulations)

[This document is to be used only by Associations and Corporations as defined herein that are community economic-development corporations.]

Glossary

In this offering document:

1. "Act" means the Securities Act;
2. "Association" means an association as defined in the Co-operative Associations Act;
3. "CEDC" means a Community Economic-Development Corporation, as defined herein;
4. "Community Economic-Development Corporation" means a Corporation or Association that meets the criteria prescribed by the regulations made pursuant to the Equity Tax Credit Act and is registered as a Community Economic-Development Corporation by the Minister of Finance pursuant to Section 11 of the Equity Tax Credit Act;
5. "Community Economic Development Plan" means the community economic development plan proposed by the Issuer which contains the information prescribed by the regulations made pursuant to the Equity Tax Credit Act;
6. "Corporation" means a corporation incorporated pursuant to the laws of the Province of Nova Scotia, another province of Canada or Canada that has its head office located in the Province of Nova Scotia;
7. "Finders" means persons who, for compensation or without compensation, act as intermediaries in obtaining selling agents or otherwise make introductions in furtherance of this Offering;
8. "Issuer" means Testco Limited;
9. "Investee Corporation" means a corporation in which the Issuer proposes to invest all or substantially all of the proceeds of the offering and where all or substantially all of the fair market value of the corporation's property is attributable to property used in an active business;
10. "Offering" means this offering of Shares of the Issuer;
11. "Promoter" has the same meaning as in the Act, except that pursuant to subsection 3(3) of the Community Economic-Development Corporations Regulations no individual shall be considered as a promoter unless a promoter at the time the offering document is filed with the Director of Securities;
12. "Securities Rules" means the rules of the Nova Scotia Securities Commission made pursuant to the Act;
13. "Security holder" means a person or company who purchases Shares under this Offering;
14. "Shares" means common shares of the Issuer that may attract a 30% tax credit against provincial taxes payable and potentially a provincial government guarantee on the last 20% of the investment for the first 4 years after purchase.

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Cautions

The Nova Scotia Securities Commission has not assessed:

- the reasonableness or merit of the Issuer or the Offering;
- whether the Issuer has sufficient financing and managerial expertise to accomplish its stated objectives;
- whether management of the Issuer has the reputation and commitment to conduct the Issuer's business with integrity and in the best interest of the Security holders;
- whether the Promoters and management of the Issuer are receiving unconscionable benefits at the expense of the Security holders; or
- whether any financial forecast or projection contained in this offering document has a reasonable basis;

Investment in small business involves a high degree of risk, and investors should not invest any funds in this Offering unless they can afford to lose a substantial portion of their investment. Potential investors should read all of this offering document, particularly the Risk Factors section on page 3.

Potential investors should review the information concerning the background of the Issuer's officers, directors and other key personnel and consider whether or not these persons have adequate background and experience to develop and operate the Issuer and to make it successful. In this respect, the experience and ability to manage are often considered among the most significant factors in the success of a business.

After reviewing the Use of Proceeds section on page 12, potential investors should consider whether the amounts available for future development of the Issuer's business and operations will be adequate.

A Security holder may have rights of rescission or an action for damages in circumstances which are described in this offering document beginning on page 30.

There is no organized market through which the shares may be sold. It may be difficult or even impossible for the investor to sell them.

Potential investors should also consult their professional advisors before investing.

This offering document, together with the documents incorporated herein by reference and forming part of this offering document, and the attachments thereto contain all of the representations by the Issuer concerning this Offering and no person shall make different or broader statements than those contained herein. Investors are cautioned not to rely on any information not expressly set forth in or attached to this offering document.

This offering document (31 pages), together with financial statements (1 page) and other attachments (CED Plan 1 page), consists of a total of 33 pages.

The Offering

1. **The Shares being offered are:**
   Fully paid, newly issued voting common shares that are non-redeemable, non-convertible, and not restricted in profit sharing or participation upon dissolution; the price per share is $100. Individuals must purchase a minimum of 10 shares, therefore, the minimum investment is $1,000.

2. **The offering price was established by the following method:**
   [ ] negotiation with the investor
   [X] arbitrarily by the Issuer
   [ ] otherwise (explain) _____

3. **Maximum number of Shares offered:** 5,000 (five thousand)

4. **Total proceeds if maximum sold:** $500,000 (five hundred thousand dollars)

5. **Minimum number of Shares offered:** 2,500 (two thousand five hundred)

6. **Total proceeds if minimum sold:** $250,000 (two hundred fifty thousand dollars)

7. **Reasons for the selection of the minimum number of Shares offered:**
   Issuer assumptions respecting minimum offer to cover administration costs of the Fund and permit for returns to its shareholders, sufficient to allow for multiple investments and continuance of the Fund as a vehicle for local community investment.

8. **Minimum number of investors required:** 40 (forty persons); this number represents a participation of approximately .20% of the adult population of Anytown (20,000) and its surrounding communities.

9. **Total estimated costs of the Offering:** at minimum $12,500 (see item 27)
   at maximum $17,500 (see item 27)

Risk Factors

10. **Taking into consideration the factors noted below, list in the order of importance the factors which the Issuer considers to be the most substantial risks to an investor in this Offering in view of all known facts and circumstances (i.e., those factors which constitute the greatest threat that the investment will be lost in whole or in part, or not provide an adequate return).**

    (a) There is a lack of direct investment experience by the Fund, its promoters and its Board which may result in a "learning curve" respecting the placement of equity investments. This, in turn, may reduce the performance of the Fund, and hence is the primary risk factor identified prior to the Offering.

    (b) While it has been assumed that there are more potential investments within the community than the Fund can participate in, there remains a risk that the Fund will not be able to access these deals and/or will not be able to negotiate an agreeable financing arrangement with the partners of the target investment.

    (c) The investments made by the Fund will have returns which are directly attributable to the performance of the companies invested in. Therefore, the risk associated with an economic downturn in the local community is real and must be factored into the decision. Therefore, investments which were prudent at the time of investment may not prove profitable over the term they are maintained.

    (d) There are limited opportunities available for exiting the Fund, i.e., liquidity risk. The reader is instructed to refer to item 57 for a full disclosure of the limited options for the resale of these securities.

    (e) Another risk factor considered to be potentially material to an investor is the opportunity cost of capital should the offer not close. Depending upon the dates involved in the offering, an investor who chooses this investment may lose the opportunity to invest in another tax-assisted investment (e.g., Labour-Sponsored Venture Capital Corporations) due to the limitation on investment (60 days).

In addition to the above risks, potential investors should consider the following risks before they decide to purchase the Shares being offered:

(f) The Shares are speculative in nature. An investment is appropriate only for investors who are prepared to have their money invested for a long period of time and who have the capacity to absorb a loss of some or all of their investment.

(g) There is no organized market through which the Shares may be sold. Therefore, investors may find it difficult or even impossible to sell their Shares.

(h) There are restrictions on the resale of the Shares. See item 57 for details.

(i) The Issuer may not achieve a level of profitability to permit dividends to be paid. Investors should not count on any return from these Shares.

(j) Investors who deposit the Shares in a self-directed RRSP should not depend on selling the Shares or income from the Shares to fund their retirement.

(k) Tax laws frequently change.

(l) Investments made in eligible business entities located within the geographical areas comprising the former cities of Halifax and Dartmouth, the former town of Bedford, and the area commonly known as Sackville may not be eligible for the 20% provincial guarantee of eligible investments of a community economic development fund as provided by the Equity Tax Credit Act. The Fund may still make an investment that is not covered by the provincial guarantee.

Plan of Distribution

11. The following people (the "selling agents") are authorized to sell Shares under the Offering:

These individuals will have their backgrounds checked as part of the review process. This review may include a police check and/or other measures which are deemed necessary by staff of the Nova Scotia Securities Commission. Bank and personal reference letters will also be required. Any of these persons who is employed by a dealer please see attached.

Name	Full Address	Business Phone	Fax
Robert Smith	105 Harbourview Drive Anytown, NS, B1B 2B3	555-1111	n/a
Lucy Change	26 Union Street Anytown, NS, B2E 3H7	555-2222	n/a
Janice Doe	1422 Queen Street Anytown, NS, B2Y 5H8	555-3333	n/a
Maggie Smith	569 Fairytale Lane Newtown, NS, B3J 2Z7	555-5437	n/a
Marc Belanger	3 School Avenue Goodtown, NS, B5H 2M9	555-6284	n/a
Dr. Autumn Breeze	1009 Mountain Dog Avenue Uptown, NS, B2G 3M4	555-7387	555-7388
Malcolm Davis	391 Bear Road Downtown, NS, B4N 2B6	555-2327	555-2381
Mark MacDonald	101 King Street River John, NS, B2J 6H3	555-0000	n/a
Shirley MacIsaac	24 Queen Street New Glasgow, NS, B3B 7H6	555-6200	555-6201
John Cunningham	37 Jack Road Pictou, NS, B2Y 5H6	555-7200	555-7201
Lloyd George	12 Ace Avenue Tatamagouche, NS, B3J 2H6	555-1234	n/a

12. **Describe any compensation to selling agents or Finders, including cash, securities, contracts or other consideration of any kind direct or indirect. Also indicate whether the Issuer will indemnify the selling agents or Finders against liabilities, if any, under the securities laws.**
No commission will be paid for sale of shares unless an individual brings investment (sells shares) exceeding 500 shares (cumulative), at which time a commission of 2% will be paid in common shares (or if the issue has been fully subscribed in cash) to the selling agent/Finder. No commissions will be paid prior to the close of the offering.

13. **Describe any material relationship between any of the selling agents or Finders and the Issuer or its management.**
All Directors listed in item 38, as well as the Officers of the Company, item 36, are promoters, and are listed as such in item 35. No additional selling agents or Finders have been identified.

Note on selling agents and Finders:

Potential investors should carefully consider the following points when evaluating any recommendation by the selling agents or Finders to buy the Shares:

(a) Amount of compensation received by the selling agents or Finders to sell the shares;

(b) The nature of the relationship between the selling agents or Finders and the Issuer; and

(c) Unlike most securities offerings, the selling agents and Finders are not required to be registered under the Act to trade securities and therefore, when investors purchase the Shares through unregistered selling agents or Finders, they should be aware that:

i) They will not have the protections afforded by certain requirements and standards imposed on "registrants" under the Act, including proficiency standards, reporting requirements, "know your client" requirements and "suitability" requirements; and

ii) Unregistered selling agents and Finders are generally prohibited by the Act from giving investment advice to potential investors unless permitted to do so by an exemption expressly set out in the Act or granted by the Nova Scotia Securities Commission under the Act.

14. **Describe the procedure by which investors subscribe for Shares under the Offering.**
Initial public meeting and/or private meeting followed by provision of this offering document to prospective investors. Investor will forward payment by means of a cheque or money order (cash is not acceptable) to the Issuer, or their lawyer, payable to the Anytown Credit Union, to be held in trust until the closing.

15. **The subscription funds will be held in trust by the Anytown Credit Union and will only become available to the Issuer when the conditions of closing described below have been met and the Offering has closed.**

16. **The following are conditions of the initial closing of this Offering:**

(a) the Issuer has received the minimum offering amount of $250,000;

(b) all material contracts have been signed, and all material consents of third parties have been obtained;

(c) all necessary and required certificates under the Equity Tax Credit Act and regulations and other applicable laws have been obtained;

(d) additional conditions of the initial closing are:

i) minimum number of investors (40) have subscribed (as in item 8)

ii) n/a

17. **The minimum offering amount and all other conditions of the initial closing must be achieved on or before** 15/ 03/ 01 **(dd/mm/yy). [Unless the Director has granted an extension, this date must be not more than 90 days from the date of issuance of a letter of non-objection in respect of the offering document by the Director of Securities pursuant to the Community Economic-Development Corporation Regulations.]**

18. **If the minimum offering amount and all other conditions of the initial closing are not achieved on or before the time specified in item 17, and no extension has been granted by the Director, the Offering will be withdrawn and all of the proceeds of subscription, without interest, will be returned to the subscriber within 30 days of the date that the Offering was to close.**

19. **The following are conditions of each subsequent closing of this Offering:**

    (a) $50,000, or final close;

    (b) no material change in material contracts referred to in 16(b);

    (c) all necessary and required certificates under the Equity Tax Credit Act and regulations and other applicable laws have been obtained and are current

The Issuer

20. **Issuer's exact name as it appears in the incorporating document:** Testco Limited

    Jurisdiction and date of incorporation: Nova Scotia- November 9, 2000

    Address of registered office: 123 Main Street, Anytown, Nova Scotia

    Address of principal business address: 123 Main Street, Anytown, Nova Scotia

    Issuer's telephone number: (902) 555-5555

    Issuer's fax number: (902) 555-5555

    Fiscal year end: December (month) 31 (day)

    Contact person at Issuer with respect to the Offering: Lloyd George

    Telephone number of contact person (if different number from above): 555-1234

Please include a copy of the certificate of incorporation/ registration with this application.

Business and Properties of a CEDC that is a Corporation

When the Issuer is a Corporation and now operates or proposes to operate an active business or to invest all or substantially all of the proceeds of the offering in shares of a corporation where all or substantially all of the fair market value of that corporation is attributable to property used in an active business (the "Investee Corporation") please complete item 21.

[When the Issuer is a Corporation and has a constitution that restricts it to making specified investments in eligible local business entities in accordance with its Community Economic Development Plan please go to item 22.]

21. With respect to the business of the Issuer and its properties:

(a) Describe in detail what business(es) the Issuer or Investee Corporation now operates and proposes to operate, including what products are or will be produced or services that are or will be rendered.
n/a

(b) Describe how these products or services are to be produced or rendered and how and when the Issuer intends to carry out its activities. If the Issuer or Investee Corporation plans to offer a new product(s), state the present stage of development including whether a working prototype(s) is in existence. Indicate if completion of development of the product will require a material amount of the resources of the Issuer, and the estimated amount. Describe any major existing supply contracts.
n/a

(c) Describe the industry in which the Issuer or Investee Corporation is selling or expects to sell its products or services and, where applicable, any recognized trends within the industry. Describe that part of the industry and the geographic area in which the business competes or will compete. Indicate whether competition is or is expected to be by price, service or other basis.
n/a

(d) If the Issuer's or Investee Corporation's business, products or properties are subject to material regulation by federal, provincial or municipal governmental agencies, indicate the nature and extent of regulation and its effects or potential effects upon the Issuer.
n/a

(e) State the number and types of employees the Issuer or Investee Corporation has and the number and type of employees it anticipates it will have within the next 12 months.
n/a

(f) Describe generally the principal properties (such as real estate, plant and equipment, patents, etc.) that the Issuer or Investee Corporation owns, indicating also what properties it leases and a summary of the terms of those leases, including the amounts of payments, expiration dates and the terms of any renewal options. Indicate what properties the Issuer or Investee Corporation intends to acquire in the next 12 months, the costs of such acquisitions and the sources of financing it expects to use in obtaining those properties, whether by purchase, lease or otherwise.
n/a

(g) State the name of any subsidiaries of the Issuer or Investee Corporation, their business purpose and ownership. If none, so indicate.
n/a

(h) Summarize the material events in the development of the Issuer or Investee Corporation during the last 5 years or for whatever lesser period the Issuer has been in existence. Include both positive and negative facts. Also include details on profits and losses, including the causes of any losses. Include as well any material acquisitions or arrangements. [A "material event" or "material acquisition or arrangement" is one that is fundamental to the business and day-to-day operations of the Issuer or Investee Corporation.]
n/a

Specified Investments in Eligible Local Business Entities by a CEDC that is a Corporation

22. Item 22 must be completed by a CEDC that is a Corporation with a constitution that restricts it to making specified investments in eligible local business entities in accordance with its Community Economic-Development Plan.

(a) Set out restrictions as described in the Issuer's constitution.

i) Business must be located within the boundaries of Anycounty (i.e., pay business occupancy tax to the county or a municipal unit located therein; an established physical presence, etc.)

ii) The business must operate in accordance with applicable laws and bylaws

iii) All investments chosen must meet the criteria for eligibility under Section 4 of the Equity Tax Credit Act:

- authorized capital consisting of shares without par value;
- at least 25% of salaries and wages are paid in the Province;
- assets (including affiliates) less than $25 million
- 90% or more of the fair market value of the property of the corporation or association is attributable to property used in active business or shares of a corporation or association that would be an eligible business if it made application under the Act;

- in the case of an association, that the association undertakes or carries on business or operations in any activity prescribed by regulation;
- the business is not the professional practice of an accountant, dentist, lawyer, medical doctor, veterinarian or chiropractor

(b) **Describe the Issuer's investment strategy and objectives as set forth in the Issuer's Community Economic Development Plan.**
Strategy: to invest in new or existing business that are in accordance with the investment criteria outlined in item 22(a) and that can provide a satisfactory return on the investment (net annualized rate of return not less than 3%); the specifics of what type of business, by sector or stage of growth, cannot be assumed at this time without unduly limiting the investment possibilities of the Fund; it is a "blind pool"

Objectives: maintain/ improve local control of business; maintain/ improve local employment; first investment within six months of final close

The investment decision will be made by the Board of Directors, or an investment committee chosen therefrom.

(c) **Describe any intended specified investments in eligible local business entities which the Issuer plans to make with the proceeds of the Offering and how they fall within the Issuer's Community Economic Development Plan. If no such specified investments are planned at the time of the Offering or if further specific investments are contemplated please indicate that fact.**
n/a- blind pool

Investments made in eligible business entities located within the geographical areas comprising the former cities of Halifax and Dartmouth, the former town of Bedford, and the area commonly known as Sackville may not be eligible for the 20% provincial guarantee of eligible investments of a community economic development fund as provided by the Equity Tax Credit Act. The Fund may still make an investment that is not covered by the provincial guarantee.

Potential investors should note that where specified investments in eligible local business entities are not described in this offering document the Issuer must make such investments in compliance with Section 20 of the Community Economic-Development Corporations Regulations.

Business and Properties of a CEDC that is an Association

When the Issuer is an Association and now operates or proposes to carry on business or operate as a marketing, producer or employee co-operative as those activities are defined in the regulations to the Equity Tax Credit Act, please complete item 23.

[When the Issuer is an Association that has a constitution that restricts it to investing in eligible investments in accordance with the regulations made pursuant to the Equity Tax Credit Act, please go to item 24.]

23. With respect to the business of the Issuer and its properties:

(a) Describe in detail what business(es) the Issuer now operates and proposes to operate, including what products are or will be produced or services that are or will be rendered.
n/a

(b) Describe how these products or services are to be produced or rendered and how and when the Issuer intends to carry out its activities. If the Issuer plans to offer a new product(s), state the present stage of development including whether or not a working prototype(s) is in existence. Indicate if completion of development of the product will require a material amount of the resources of the Issuer, and the estimated amount. Describe any major existing supply contracts.
n/a

(c) Describe the industry in which the Issuer is selling or expects to sell its products or services and, where applicable, any recognized trends within the industry. Describe that part of the industry and the geographic area in which the business competes or will compete. Indicate whether competition is or is expected to be by price, service or other basis.
n/a

(d) If the Issuer's business, products or properties are subject to material regulation by federal, provincial or municipal governmental agencies, indicate the nature and extent of regulation and its effects or potential effects upon the Issuer.
n/a

24. Item 24 must be completed by a CEDC that is an Association that has a constitution that restricts it to investing in eligible investments in accordance with the regulations made pursuant to the Equity Tax Credit Act.

(a) Set out restrictions on investments as described in the Issuer's constitution:
n/a

(b) Describe the Issuer's investment strategy and objectives as set forth in the Issuer's Community Economic Development Plan.
n/a

(c) Describe any intended specified eligible investments which the Issuer plans to make with the proceeds of the offering. If no such specific eligible investments are planned at the time of the Offering or if further specific eligible investments are contemplated, please indicate that fact.
n/a

[Potential investors should note that where specific eligible investments are not described in this offering document the Issuer must comply with the Section 21 of the Community Economic-Development Corporations Regulations.]

Capital Structure

25. The following table describes the authorized capital of the Issuer:

Name of Security	Description of Attributes
Common shares	Voting, non-redeemable, non-convertible, not restricted in profit sharing or participation upon dissolution
Preferred shares	3% cumulative, convertible (1 for 1), retractable by the corporation at face value at any time upon 6 months' notice to holders

[In the table, please name and describe the classes of securities of the Issuer, if any, exactly as set out in the constitutional documents of the Issuer. If these details are lengthy, then refer to the constitutional documents by reference and attach them to the offering document. The reference should state: "The constitutional documents attached to this offering document describe the authorized capital of the Issuer."]

26. The following table describes the capital structure of the Issuer as of the latest of the date of the Issuer's latest financial statements and a date not more than 30 days preceding the date of the offering document and also what the capital structure will be on the conclusion of the Offering:

Name of Security	Number Authorized	Dollar Value / Number Outstanding at date of Offering Document	Dollar Value / Number Outstanding
Loans/ Other Indebtedness		$4,900	0
Preferred Shares	10,000	$0 / 0	0
Common Shares	250,000	$100 / 1	$250,000 / 2,500 at minimum $500,000 / 5,000 at maximum
Retained Earnings	0	0	0
Total	n/a	n/a	n/a

Use of Proceeds

27. The funds raised in the Offering will be used as indicated in the following table:

	If Minimum Sold		If Maximum Sold	
	Amount	%	Amount	%
Total Proceeds	$250,000	100	$500,000	100
Less: Offering Expenses				
Commissions and Promoters Fees	5,000	2	10,000	2
Legal and Accounting Fees	5,000	2	5,000	1
Copying and Other Expenses	2,500	1	2,500	0.5
Net Proceeds from Offering	**$237,500**	**95**	**$482,500**	**96.5**
Use of Net Proceeds				
Repayment of startup loans	$4,900	2	4,900	1
Investments	$161,350	68	$332,850	69
Administration				
General administration	11,875	5	24,125	5
Non-recoverable Costs [1]	11,875	5	24,125	5
Cash Liquidity Reserve	47,500	20	96,500	20
Total Use of Net Proceeds	**$237,500**	**100**	**$482,500**	**100**

[1] Non-recoverable costs include cost of investigating proposals which are not completed and other miscellaneous costs incurred in the process of identifying suitable investments.

28. Describe the order of priority in which the proceeds set forth under the column "If Minimum Sold" will be used.

The focus of the Fund is to make investments. First, the startup loans to establish the Fund must be repaid; next, offering expenses must be paid; then, cost of investigating potential investments followed by actual investments made. Annual administration costs and liquidity reserves will come from the balance remaining.

The cost of investigating potential investments will in most instances be passed on directly to the company seeking capital; in situations where investigation costs are incurred, however, no investment deal is concluded, the costs will normally be borne by the Fund and accounted for as non-recoverable costs. As indicated above, these costs are estimated to be substantial and could represent 5% of the capital base of the Fund.

29. **If material amounts of funds from sources other than the Offering are to be used in conjunction with the proceeds from the Offering, state the amounts and sources of such other funds, and whether funds are firm or contingent. If contingent, explain the contingent event(s).**
There are no firm commitments for funds from sources other than the Offering.

30. **Indicate whether the Issuer is having or anticipates having within the next 12 months any cash flow or liquidity problems and whether it is in default or in breach of any note, loan, lease or other indebtedness or financing arrangement requiring the Issuer to make payments. Indicate if a significant amount of the Issuer's trade payables have not been paid within the stated trade term. State whether the Issuer is subject to any unsatisfied judgments, liens or settlement obligations and the amount thereof. Indicate the Issuer's plans to resolve any such problems.**
The Issuer is not having, nor anticipates having within the next 12 months, any cash flow or liquidity problems. It is not in default or in breach of any note, loan, lease or other indebtedness or financing arrangement requiring the Issuer to make payments.

31. **Indicate whether proceeds from the Offering will satisfy the Issuer's cash requirements for the next 12 months, and whether it will be necessary to raise additional funds. State the source of additional funds, if known.**
Yes, however, dependent upon market response, a second offering may be placed within 12 months.

Financial Forecasts or Projections

32. **If future-oriented financial information such as forecasts or projections will be provided to potential investors, such information must be attached to the offering document and referred to in this section. The forecast or projection must include all of the assumptions used to calculate the figures shown and be prepared in accordance with the Community Economic-Development Corporations Regulations.**
No future-oriented financial information will be provided.

Dividends, Distributions and Redemptions

33. **Provide particulars of the Issuer's dividend policy, if any.**
No dividends will be paid on common shares for the first 4 years; dividends may commence after this time based upon the performance of the Fund; the dividends will be set at the annual general meeting of shareholders.

34. **Give details of dividends and other distributions paid by the Issuer to its security holders during the last 5 years.**
n/a

Promoters of the Issuer

35. **The Promoters of the Issuer are:**
Promoters are to be persons or corporations, not societies.

1. **Name**: Robert Smith
Business street address: 105 Harbourview Drive, Anytown, NS, B1B 2B3
Business telephone number: (902) 555-1111
Business fax number: n/a

Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
Smith and MacDonald Architects- Senior Architect- responsibilities- lead architect on large jobs; solicitation of new clients

Nature of projects during the last 5 years if not described immediately above:
A variety of projects have been worked on during the past 5 years.
These projects have been of a professional nature and include design of the Anytown Civic Centre complex.

2. **Name**: Lucy Change
Business street address: 26 Union Street, Anytown, NS, B2E 3H7
Business telephone number: (902) 555-2222
Business fax number: n/a

Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
A "stay-at-home mother" who has actively participated in many community initiatives.

Nature of projects during the last 5 years if not described immediately above:
Actively involved in developing affordable housing, seniors services and programs for youth within the community.

3. **Name**: Janice Doe
Business street address: 1422 Queen Street, Anytown, NS, B2Y 5H8
Business telephone number: (902) 555-3333
Business fax number: n/a

Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
A graduate student at the University of Central Nova Scotia, studying contemporary Community Economic Development.

Nature of projects during the last 5 years if not described immediately above:
Preparing a thesis describing various ways of addressing Community Economic Development, and how to move these models from "test cases" to main street applicability.

4. **Name:** Maggie Smith
Business street address: 569 Fairytale Lane, Newtown, NS, B3J 2Z7
Business telephone number: (902) 555-5437 (555-kids)
Business fax number: n/a

Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
Self-employed for the past 10 years. Award winning children's novelist.

Nature of projects during the last 5 years if not described immediately above:
Recent titles include: The Magical Treehouse; The Little Bear Who Loved to Dance; Aunt Franny's Garden

5. **Name:** Marc Belanger
Business street address: 3 School Avenue, Goodtown, NS, B5H 2M9
Business telephone number: (902) 555-6284 (555-math)
Business fax number: n/a

Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
Retired school teacher. Taught science and math at Anytown Regional High School for 25 years (1969-1994)

Nature of projects during the last 5 years if not described immediately above:
Started an entrepreneurship club at the school in 1993 in which he still actively participates through membership on the volunteer advisory board.

6. **Name:** Dr. Autumn Breeze, DVM
Business street address: 1009 Mountain Dog Avenue, Uptown, NS, B2G 3M4
Business telephone number: (902) 555-7387 (555-pets)
Business fax number: (902) 555-7388

Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
Partner in "Veterinary Services for Paws" since 1997. Responsibilities include client service (veterinary medicine), office administration and bookkeeping.

Nature of projects during the last 5 years if not described immediately above:
In addition to the valued experience of operating a business, a strong belief that the care and well-being of animals is integral to the health of one's community.

7. **Name:** Malcolm Davis
Business street address: 391 Bear Road, Downtown, NS, B4N 2B6
Business telephone number: (902) 555-2327 (555-bear)
Business fax number: (902) 555-2381

Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
Owner of "Stuffed for Year Manufacturers Limited," a manufacturer of Teddy Bears, since 1988. Duties include all aspects of business operation including marketing, production, finance and accounting.

Nature of projects during the last 5 years if not described immediately above:
Active member of the Christmas program "Teddys for Toddlers," which seeks to provide a toy to all underprivileged children of the community.

8. **Name:** Mark MacDonald
Business street address: 101 King Street, River John, NS, B2J 6H3
Business telephone number: (902) 555-0000
Business fax number: n/a

Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
Self-employed lobster fisherman

Nature of projects during the last 5 years if not described immediately above:
No relevant projects disclosed at this time.

9. **Name:** Shirley MacIsaac
Business street address: 24 Queen Street, New Glasgow, NS, B3B 7H6
Business telephone number: (902) 555-6200
Business fax number: (902) 555-6201

Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
Self-employed bookkeeper.

Nature of projects during the last 5 years if not described immediately above:
Currently working toward completion of the requirements of the Certified Management Accountants of Canada

10. **Name:** John Cunningham
Business street address: 37 Jack Road, Pictou, NS, B2Y 5H6
Business telephone number: (902) 555-7200
Business fax number: (902) 555-7201

Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
Self-employed auctioneer

Nature of projects during the last 5 years if not described immediately above:
No relevant projects disclosed at this time.

11. **Name:** Lloyd George
Business street address: 12 Ace Avenue, Tatamagouche, NS, B3J 2H6
Business telephone number: (902) 555-1234
Business fax number: n/a

Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
Retired executive of Nortel (Nortel Networks Limited) who has returned home to enjoy retirement.

Nature of projects during the last 5 years if not described immediately above:
Was involved in preparation of materials for submission to the Ontario Securities Commission prior to merger with Bay Networks Limited.

Officers of the Issuer

36. The officers of the Issuer are:

1. **President and Chief Executive Officer (CEO)**: Robert Smith
   Business street address: 105 Harbourview Drive, Anytown, NS, B1B 2B3
   Business telephone number: (902) 555-1111
   Business fax number: n/a

   Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
   Smith and MacDonald Architects- Senior Architect- responsibilities- lead architect on large jobs; solicitation of new clients

   Nature of projects during the last 5 years if not described immediately above:
   A variety of projects have been worked on during the past 5 years.
   These projects have been of a professional nature and include design of the Anytown Civic Centre complex.

   Education (degrees, schools and dates):
   Bachelor of Science in Engineering (Dalhousie, 1967); Master of Architecture (TUNS, 1972); Executive Master of Business Administration (Saint Mary's, 1991)

   Also a director of the Issuer [X] **Yes** [ ] **No**

   Indicate amount of time to be spent on Issuer's matters if less than full time:
   On average, it is assumed that the position of President will consume approximately 5 hours per week, on a strictly volunteer basis.

2. **Vice-President Community Involvement**: Lucy Change
   Business street address: 26 Union Street, Anytown, NS, B2E 3H7
   Business telephone number: (902) 555-2222
   Business fax number: n/a

   Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
   A "stay-at-home mother" who has actively participated in many community initiatives.

   Nature of projects during the last 5 years if not described immediately above:
   Actively involved in developing affordable housing, seniors services and programs for youth within the community.

   Education (degrees, schools and dates): Grade XII matriculation (1961)

   Also a director of the Issuer [X] **Yes** [ ] **No**

   Indicate amount of time to be spent on Issuer's matters if less than full time:
   On average, it is assumed that the position of Vice-President will consume approximately 3-5 hours per week, on a strictly volunteer basis.

3. **Vice-President Administration and Chief Financial Officer (CFO)**: Maggie Smith
Business street address: 569 Fairytale Lane, Newtown, NS, B3J 2Z7
Business telephone number: (902) 555-5437 (555-kids)
Business fax number: n/a

Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
Self-employed for the past 10 years. Award winning children's novelist.

Nature of projects during the last 5 years if not described above:
Recent titles include: The Magical Treehouse; The Little Bear Who Loved to Dance; Aunt Franny's Garden

Education (degrees, schools and dates):
Bachelor of Arts in English Literature (University of British Columbia, 1985)

Also a director of the Issuer [X] **Yes** [ ] **No**

Indicate amount of time to be spent on Issuer's matters if less than full time:
On average, it is assumed that the position of Vice-President will consume approximately 3-5 hours per week, on a strictly volunteer basis.

4. **Secretary-Treasurer**: Lloyd George
Business street address: 12 Ace Avenue, Tatamagouche, NS, B3J 2H6
Business telephone number: (902) 555-1234
Business fax number: n/a

Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
Retired executive of Nortel (Nortel Networks Limited) who has returned home to enjoy retirement.

Nature of projects during the last 5 years if not described immediately above:
Was involved in preparation of materials for submission to the Ontario Securities Commission prior to merger with Bay Networks Limited.

Education (degrees, schools and dates):
Bachelor of Science in Computer Science (University of Waterloo, 1972)

Also a director of the Issuer [X] **Yes** [ ] **No**

Indicate amount of time to be spent on Issuer's matters if less than full time:
On average, it is assumed that the position of Secretary-Treasurer will consume approximately 3-5 hours per week, on a strictly volunteer basis.

Directors of the Issuer

Equity Tax Credit Reg. 3 (b) mandates a CEDIF "has a Board of Directors, elected by the shareholders at a general meeting of the shareholders, consisting of not less than six individuals who are residents of the community."

37. There are currently 11 directors of the Issuer, with provision for a maximum of 12 directors, six of which must come from the community.

38. Information concerning each director of the Issuer, other than those already listed under the heading "Officers of the Issuer" are:

    1. **Name:** Janice Doe
       Business street address: 1422 Queen Street, Anytown, NS, B2Y 5H8
       Business telephone number: (902) 555-3333
       Business fax number: n/a

       Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
       A graduate student at the University of Central Nova Scotia, studying contemporary Community Economic Development.

       Nature of projects during the last 5 years if not described immediately above:
       Preparing a thesis describing various ways of addressing Community Economic Development, and how to move these models from "test cases" to main street applicability.

       Education (degrees, schools, dates):
       Bachelor or Arts (UCCB, 1990); Master of Business Administration (Simon Fraser, 1995); currently working on PhD from University of Bristol

    2. **Name:** Marc Belanger
       Business street address: 3 School Avenue, Goodtown, NS, B5H 2M9
       Business telephone number: (902) 555-6284 (555-math)
       Business fax number: n/a

       Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
       Retired school teacher. Taught science and math at Anytown Regional High School for 25 years (1969-1994)

       Nature of projects during the last 5 years if not described immediately above:
       Started an entrepreneurship club at the school in 1993 in which he still actively participates through membership on the volunteer advisory board.

       Education (degrees, schools, dates):
       Teachers Certificate (Nova Scotia Teachers College, 1966);
       Bachelor of Education (St. Francis Xavier University, 1969)

3. **Name:** Dr. Autumn Breeze, DVM
Business street address: 1009 Mountain Dog Avenue, Uptown, NS, B2G 3M4
Business telephone number: (902) 555-7387 (555-pets)
Business fax number: (902) 555-7388

Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
Partner in "Veterinary Services for Paws", since 1997. Responsibilities include client service (veterinary medicine), office administration and bookkeeping.

Nature of projects during the last 5 years if not described immediately above:
In addition to the valued experience of operating a business, a strong belief that the care and well-being of animals is integral to the health of ones community.

Education (degrees, schools, dates):
Bachelor of Science (Acadia, 1993); Doctor of Veterinary Medicine (University of Prince Edward Island, 1997)

4. **Name:** Malcolm Davis
Business street address: 391 Bear Road, Downtown, NS, B4N 2B6
Business telephone number: (902) 555-2327 (555-bear)
Business fax number: (902) 555-2381

Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
Owner of "Stuffed for Year Manufacturers Limited", a manufacturer of Teddy Bears, since 1988. Duties include all aspects of business operation including marketing, production, finance and accounting.

Nature of projects during the last 5 years if not described immediately above:
Active member of the Christmas program "Teddy's for toddlers", which seeks to provide a toy to all underprivileged children of the community.

Education (degrees, schools, dates):
High School Matriculation (Anytown Regional High School, 1982)

5. **Name:** Mark MacDonald
Business street address: 101 King Street, River John, NS, B2J 6H3
Business telephone number: (902) 555-0000
Business fax number: n/a

Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
Self-employed lobster fisherman

Nature of projects during the last 5 years if not described immediately above:
No relevant projects disclosed at this time.

Education (degrees, schools, dates):
Grade XI completion, Federal Business Development Bank record keeping course

6. **Name:** Shirley MacIsaac
Business street address: 24 Queen Street, New Glasgow, NS, B3B 7H6
Business telephone number: (902) 555-6200
Business fax number: (902) 555-6201

Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
Self-employed bookkeeper.

Nature of projects during the last 5 years if not described immediately above:
Currently working toward completion of the requirements of the Certified Management Accountants of Canada

Education (degrees, schools, dates):
High School Matriculation, Business College Diploma in Bookkeeping (Anytown Business Academy)

7. **Name:** John Cunningham
Business street address: 37 Jack Road, Pictou, NS, B2Y 5H6
Business telephone number: (902) 555-7200
Business fax number: (902) 555-7201

Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities:
Self-employed auctioneer

Nature of projects during the last 5 years if not described immediately above:
No relevant projects disclosed at this time.

Education (degrees, schools, dates):
Grade 10 completion

Key Personnel of the Issuer

39. **For each key person (i.e., one who is essential to the operations of the Issuer) who is not already named as an officer, director or promoter, please provide the following information:**
The key persons for this company have all been listed as officers and/or directors. Of these, it is thought that the key persons necessary for the success of the company are Robert Smith, Maggie Smith and Malcolm Davis.

40. **Describe any arrangements to assure that each key person will remain with the Issuer and not compete with the Issuer upon termination of their relationship with the Issuer.**
There are no formal commitments in place to ensure key persons stay with the Issuer, nor are there arrangements to prevent these persons from competing with the Issuer. The individuals listed as directors have made personal, oral commitments to the Fund, and each other, to work with this Fund until at least the first anniversary of the initial closing. It should be noted that verbal contracts are difficult, if not impossible, to enforce.

41. **Have any of the officers, directors or other key personnel ever worked for or managed a company (including a separate subsidiary or division of a larger enterprise) in the same business as the Issuer? [ ] Yes [X] No**

If yes, please explain including relevant dates:
n/a

42. **If the Issuer has never conducted business or is otherwise in the development stage, indicate whether any of the officers or directors or other key personnel has ever managed any other business in the start-up or development stage and describe the circumstances, including relevant dates.**
None of the officers or directors has ever managed any other business in the start-up or development stage, however, Malcolm Davis has direct management experience in the on-going operations of an existing business.

43. **If any of the Issuer's key personnel are not employees but are consultants or other independent contractors, state the details of their engagement by the Issuer.**
n/a

44. **If a petition under the Bankruptcy and Insolvency Act has been filed against any officer, director, key personnel or Promoter, or a receiver or receiver-manager has been appointed by a court for the business or estate of any such persons, or any partnership in which any of such persons was general partner, or any corporation or business association of which any such person was an executive officer within the last 5 years, set forth below the name of such persons, and the nature and date of such actions.**
No petition under the Bankruptcy and Insolvency Act has been filed against any officer, director, key personnel or Promoter, nor has a receiver or receiver-manager been appointed by a court for the business or estate of any such persons, or any partnership in which any of such persons was general partner, or any corporation or business association of which any such person was an executive officer within the last 5 years

Principal Security Holders

45. List below the principal security holders of the Issuer, if any. Principal security holders are those who beneficially own directly or indirectly 10% or more of any securities of the Issuer presently outstanding. Start with the largest common shareholder. If a principal security holder is not an individual, please disclose the ownership of the principal security holder by a footnote to the table. [If the Issuer has no principal security holder state: "There are no security holders of the Issuer who own directly or indirectly more than 10% of any securities of the Issuer" and do not complete the remainder of this item.]

    There are no security holders of the Issuer who own directly or indirectly more than 10% of any securities of the Issuer.

46. Number of shares beneficially owned by officers and directors as a group.
    n/a

Note: The officers and directors of the Issuer may subscribe for shares during the offering, in which case the number of shares beneficially owned by officers and directors as a group after the offering will increase.

Management Relationships, Transactions and Remuneration

47. If any of the officers, directors, key personnel, Promoters or principal security holders are related by blood or marriage, please describe:
    None of the officers, directors, key personnel, Promoters or principal security holders is related by blood or marriage.

48. If the Issuer has made loans to, or received loans from, or is doing business with any of its officers, directors, key personnel, Promoters or principal security holders, or any of their relatives (or any entity controlled directly or indirectly by any such person) within the last two years or is contemplating doing so, explain. (This includes sales or leases of goods, property or services to or from the Issuer, employment contracts, or share, option or other purchase contracts, etc.) State the principal terms of any significant loans, agreements, leases, financing or other arrangements.
    The issuer has received loans from two persons to enable it to prepare this offer. Lloyd George and Maggie Smith provided $2,450 each by way of a non-interest bearing loan, which is to be repaid upon the close of the offer.

49. Give details of any payments to officers, directors, key personnel and Promoters of the Issuer, including salary, bonuses, director's fees, honoraria and reimbursement of expenses.
    Officers and directors are to be reimbursed their actual and direct expenses incurred in conducting approved Fund business.

50. **If any employment agreements with officers, directors, key personnel or Promoters exist or are contemplated, please describe:**
No employment agreements with officers, directors, key personnel or Promoters exist, nor are any contemplated.

51. **Give details of any other business or personal interests that the officers, directors, key personnel, Promoters or principal security holders of the Issuer may have which could conflict with the interests of the Issuer. [If there are none state: "The officers, directors, key personnel, Promoters and principal security holders of the Issuer do not have any business or personal interests, other than those already described, that could conflict with the interests of the Issuer."]**
The officers, directors, key personnel, Promoters and principal security holders of the Issuer do not have any business or personal interests, other than those already described, that could conflict with the interests of the Issuer.

Litigation

52. **Describe any past, current, pending or threatened litigation or administrative action which has had or may have a material effect upon the Issuer's business, financial condition or operations. State the name of the court or tribunal, the names of the principal parties, the date any proceedings were started, the nature and current status of the proceedings and amounts involved.**

Include any litigation or action involving the Issuer's Promoters, officers, directors or other key personnel which relates to or has or could affect the Issuer.

Give an evaluation by management or counsel, to the extent feasible, of the merits of the proceedings or litigation and the potential impact on the Issuer's business, financial condition or operations.

[If there is no such litigation or action to disclose state: "The Issuer and its Promoters, officers, directors and key personnel are not currently and have not been subject to any litigation or administrative or criminal action which is or has been material to the Issuer. Nor is the Issuer or its Promoters, officers, directors or key personnel aware that any such litigation or action is pending or threatened."]
The Issuer and its Promoters, officers, directors and key personnel are not currently and have not been subject to any litigation or administrative or criminal action which is or has been material to the Issuer. Nor is the Issuer or its Promoters, officers, directors or key personnel aware that any such litigation or action is pending or threatened.

Canadian Income Tax Considerations

53. **This commentary is of a general nature only and is not intended to be tax advice to any particular investor. Prospective investors are urged to consult with their own professional advisors regarding the tax consequences applicable to them.**

The following is applicable to any individual (a "Subscriber") who subscribes for and is issued shares of the Issuer pursuant to the Offering and who is:

i) an individual over 19 years of age;

ii) resident in Canada for purposes of the Income Tax Act (Canada); and

iii) resident in Nova Scotia for purposes of the Equity Tax Credit Act (Nova Scotia).

Subject to the assumptions set out in the paragraph above, a Subscriber will be entitled to a credit against the Subscriber's Nova Scotia provincial income taxes payable pursuant to the Equity Tax Credit Act. The amount of the credit is equal to 30% of the amount paid for the Shares, provided that each individual is limited to a maximum credit in any year of $9,000. Shares subscribed and paid for in the first 60 days of any calendar year will be entitled to a credit in either that year or the immediately prior year. If the credit exceeds the Nova Scotia income tax otherwise payable in that year by the Subscriber, the credit may be carried forward 7 years and back 3 years and applied against Nova Scotia taxes otherwise payable in any of those years by the Subscriber.

These statements are subject to the following assumptions:

i) The certificate of registration issued to the Issuer under the Equity Tax Credit Act is not revoked by the Minister of Finance prior to the issue of shares under this Offering;

ii) The Issuer applies for a tax credit certificate after the Offering within the time limits established under the Equity Tax Credit Act;

iii) The Minister of Finance concludes that the Issuer and its directors, officers and shareholders are conducting the Issuer's business and affairs in a manner that is in accordance with the spirit and intent of the Equity Tax Credit Act;

iv) The Minister of Finance concludes that the Issuer and the Subscribers are complying with Equity Tax Credit Act;

v) The Minister of Finance does not form the opinion that the shares are issued as part of a transaction or event or series of transactions or events the main purpose of which is to claim the tax credit pursuant to the Act.

Except as set out herein, if a Subscriber fails to hold the Shares for 4 years after their issue, then all Credits earned in relation to the subscription for such Shares must be repaid. The requirement to repay the Credits does not apply in cases where the Subscriber has died, or in cases where the Subscriber transfers the shares to a trustee under a registered retirement savings plan.

There may be significant income tax consequences to individuals who are residents of Canada under the Income Tax Act and the Equity Tax Credit Act.

Transfer of Shares to an RRSP: Provided that the registration of the Issuer is not revoked under the Equity Tax Credit Act, the Shares will be qualified investments under the Income Tax Act for trusts governed by registered retirement savings plans. The transfer of shares to an RRSP will normally be done at the adjusted carrying value of the securities. This may result in a taxable capital gain or a non-deductible loss. Individuals who plan to purchase shares outside their RRSP, but transfer them later to their self-directed plan should consider the possible tax consequences of such transactions prior to finalizing any agreement.

Taxation of dividends or income received by Security holders on the Shares: Shareholders who hold shares within their RRSP need not be concerned with the manner in which the Fund distributes earnings. However, for individuals who purchase shares outside of the RRSP, consideration must be given to the tax implications of dividends versus interest income versus capital gains. Dividends received or deemed to be received on the Shares will be included in computing the Subscriber's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations.

Treatment of capital gains or losses realized by Security holders on disposition: Persons holding shares within their RRSP need not concern themselves with the form returns are paid. For individuals who choose to hold these shares outside of their registered holdings, two-thirds (66.67%) of any capital gain (the "taxable capital gain") realized on a sale or other disposition of the Shares will be included in the Subscriber's income for the year of disposition. Two-thirds (66.67%) of any capital loss so realized (the "allowable capital loss") may be deducted by the holder against taxable capital gains for the year of disposition. Any excess of allowable capital losses over taxable capital gains of the Subscriber for the year of disposition may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains in those other years.

Note: The federal government has announced a reduction in the capital gains rate to 50%. However, as of the printing of this guide, neither the reduction from 75% to 66.67% nor the subsequent reduction to 50% has been enacted into law.

Applicability of alternative minimum tax to Security holders: Investors are advised to seek professional advice from a qualified individual should they be in a position which may expose them to alternative minimum tax treatment. Capital gains realized by the Subscriber may give rise to alternative minimum tax under the Income Tax Act (Canada).

Deductibility of interest expense on money borrowed to purchase Shares: Interest incurred to earn income on investments held outside of ones RRSP is deductible against the income earned thereon; interest incurred on loans to purchase RRSP assets is not deductible.

Availability of Province of Nova Scotia guarantee under Section 13A of the Equity Tax Credit Act: Investments made in eligible business entities located within the geographical areas comprising the former cities of Halifax and Dartmouth, the former town of Bedford, and the area commonly known as Sackville may not be eligible for the 20% provincial guarantee of eligible investments of a community economic development fund as provided by the Equity Tax Credit Act. The Fund may still make an investment that is not covered by the provincial guarantee.

Note: No professional advisors were involved in the preparation of item 53.

Material Contracts

54. Give particulars of every material contract entered into by the Issuer or, if applicable, any of its significant subsidiaries within two years prior to the date of the offering document. If a material contract is of a confidential nature, provide a summary of it.

There are no written material contracts in place at this time. A verbal agreement has been discussed with Mr. Banker, Manager, Anytown Credit Union to act as trust agent for the issue of shares under this offering by the Board of Directors. It is also expected that prior to the sale of these shares it will be necessary to develop a sellers agreement, management/employment contracts and a shareholders agreement. These contracts will be available for review at the offices of the Issuer.

[A "material contract" is any contract that is fundamental to the business and day-to-day operations of the Issuer. Examples are: contracts for the purchase of property, equipment or inventory; marketing contracts; financing agreements; management agreements; shareholder agreements; copyright or patent agreements.
Under the heading "Description," include details as to the parties to the contract, what the contract is for and the important terms of the contract. Please state a time and place at which those material contracts or copies thereof may be inspected during the distribution of the Shares.]

Financial Statements

55. The Issuer does not have a prior operating history; attached is Schedule A, an opening balance sheet, which forms part of this document.

Continuous Reporting Obligations

56. The Issuer will file with the Nova Scotia Securities Commission and send to Security holders annual financial statements and such interim financial statements as required by the Community Economic-Development Corporations Regulations.

Restrictions on Resale of Securities

57. Under the provisions of the Equity Tax Credit Act, a person who disposes of a share in respect of which a tax credit has been allowed within four years from the date of purchase is liable to repay the Minister of Finance an amount equal to the tax credits received in respect of the share purchased, including interest thereon where interest is prescribed by the regulations made pursuant to that Act, or a lesser amount that is determined pursuant to the regulations to that Act. Under the terms of the Community Economic-Development Corporations Regulations, trades by a Security holder of Shares of the Issuer purchased under this Offering will be restricted and, pursuant to subsection 80(5) of the Act, each first trade and each subsequent trade will be a distribution unless such trade is made in accordance with subsection 77(5) of the Act as if the Shares were acquired under clause 77(1)(p) of the Act unless the trade is made:

    (a) to the Issuer;

    (b) to a self-directed registered retirement savings plan of the Security holder or the Security holder's spouse or to the spouse of the Security holder;

    (c) from a self-directed registered retirement savings plan of the Security holder or the Security holder's spouse to the Security holder;

    (d) to a purchaser who owns shares of the Issuer and who is advised in writing by or on behalf of the vendor prior to entering into an agreement of purchase and sale that the purchaser shall not accrue any advantage under the Equity Tax Credit Act as a result of such purchase; or

    (e) to a purchaser who purchases pursuant to a trade made in compliance with the Act and any applicable Securities Rules.

Caution: The Shares are not listed on a stock exchange. There is no organized market through which these Shares may be sold. Therefore, investors may find it difficult or even impossible to sell their Shares.

Rights Of Action

58. a) The Issuer and the Promoter (each a "seller") grant to each Security holder the rights described in this section and these rights shall be deemed to form part of each contract of purchase and sale of Shares.

(b) Where

i) an offering document sent or delivered to a Security holder, together with any amendment to the offering document used in connection with an offering of Shares; or

ii) advertising or sales literature as defined by subsection 56(2) of the Act contains a misrepresentation as described in subsection (f) of this section, a Security holder who purchases a Share referred to in it is deemed to have relied on that misrepresentation, if it was a misrepresentation at the time of the purchase and

iii) has a right of action for damages against the seller; or

iv) may elect to exercise a right of rescission against the seller in which case the purchaser has no right of action for damages against the seller.

(c) No person or company is liable under subsection (b) if the person or company proves that the purchaser purchased the Shares with knowledge of the misrepresentation.

(d) In an action for damages under subsection (b), the defendant is not liable for all or any portion of such damages that he proves do not represent the depreciation in value of the Shares as a result of the misrepresentation relied upon.

(e) In no case shall the amount recoverable under this section exceed the price at which the Shares were offered.

(f) An offering document shall be deemed to contain a misrepresentation if it:

i) contains an untrue statement of material fact;

ii) omits to state a material fact required by Form 1, or

iii) omits to state a material fact necessary to make a statement in the offering document not misleading.

59. No action shall be commenced to enforce the rights described in item 58 above more than 120 days after the date on which payment was made for the Shares or after the date on which the initial payment for the Shares was made where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment.

60. The rights described in item 58 above are in addition to and without derogation from any other right or remedy which a Security holder might have at law.

Certificate

61. This offering document, which has been prepared as prescribed by Form 1 of the Community Economic-Development Corporations Regulations, does not:

    (a) contain an untrue statement of material fact;

    (b) omit to state a material fact required by Form 1, or

    (c) omit to state a material fact necessary to make a statement in this offering document not misleading.

Dated at _____ this _____ day of _____, _____(yy).

Chief Executive Officer/ Director and Promoter	Robert Smith
Chief Financial Officer/ Director and Promoter	Maggie Smith
Director/ Promoter	Lucy Change
Director/ Promoter	Lloyd George
Promoter	Janice Doe
Promoter	Marc Belanger
Promoter	Dr. Autumn Breeze
Promoter	Malcolm Davis
Promoter	Mark MacDonald
Promoter	Shirley Macisaac
Promoter	John Cunningham

[This certificate must be signed by: the chief executive officer and chief financial officer; on behalf of the board of directors by any 2 directors of the issuer, other than the foregoing, duly authorized to sign; and by any promoter of the issuer.]

NOVA SCOTIA Securities Commission

PO Box 698
Halifax, Nova Scotia
B3J 2P8

Bus: 424-7768
Fax: 424-4625
E-mail:

Our File Number:

December 17, 2000

Mr. Lloyd George
Secretary-Treasurer
Testco Limited
123 Main Street
Anytown, Nova Scotia
B0Q 1Q2

Dear Mr. George:

Re: Testco Limited
Offering Document dated November 18, 2000

Pursuant to subsection 6(1) of the Community-Economic Development Corporations Regulations, the Director non-objects to the offering dated November 18, 2000, by Testco Limited.

Yours truly,

J. William Slattery, C.A.
Deputy Director
Corporate Finance and Administration

Printed on paper that contains recycled fibre.

Section 19 of the CEDC exemption to the Nova Scotia Securities Act requires the CEDC to file a list of purchasers and certifying compliance with the requirements of this regulation within 30 days of the closing of the offering.

List of Purchasers

Full Name	Address	Amount of Securities Purchased	Purchase Price

Photocopy this list as required.

Samples of Required Attachments

List of Attachments to a CEDIF Application

Specific forms and documents are to be filed with the Nova Scotia Securities Commission before an application for a Community Economic Development Investment Fund can be considered complete. As Part 1 of this guide noted, attachments to a Simplified Offering Document should include:

- the T2 and financial statements of the corporation for the preceding taxation year, if applicable; this will not apply to a new CEDIF
- either the Corporation Constitution or the Articles of Association, depending on whether the CEDIF is a corporation or co-operative
- a copy of the community economic development plan, which will provide a mission statement outlining the economic development strategy of the CEDIF for the community it will serve; the amount of equity capital to be raised under the plan; a full description of share attributes; and administrative information on the shares to be issued
- any information prescribed by regulation
- any other information that may be required in order to determine compliance with the Securities Act and regulations (e.g., a list of proposed investors, a business plan, and financial statements)

This section of the guide provides copies of the necessary forms and some samples of other attachments required for a CEDIF application:

Page

- Notification to the Nova Scotia Securities Commission of the proposed use of the regulation 3.5
- Expression of interest form (optional) 3.7
- Subscription agreement form 3.9
- Records request form for promoters, officers, directors and sales agents/sellers 3.11
- Bank reference letter 3.13
- Personal reference letter 3.15
- Plan of Distribution – Trading by Registrants (optional) 3.17
- Notification to the Nova Scotia Securities Commission from broker 3.19
- Agreement letter from dealer 3.21
- Agreement letter from mutual fund dealer 3.23
- Equity Tax Credit application form (see Appendix D for information guide) 3.25
- Letter requesting extension of closing date (optional) 3.27
- Advertising/promotional disclaimer 3.29

NOVA SCOTIA
Economic Development
Community Economic Development

World Trade and Convention Centre
1800 Argyle Street
PO Box 519, Ste. 704
Halifax, Nova Scotia
Canada B3J 2R7

Tel: 902 424-2720
Fax: 902-424-1263

Our File Number:

{Date}

Director
Corporate Finance and Administration
Nova Scotia Securities Commission
PO Box 458
Halifax, Nova Scotia
B3J 2P8

Dear Sir/Madam:

Attached please find a complete application package for {name of CEDIF} to utilize the Community Economic-Development Corporations Regulations to the Nova Scotia Securities Act, so as to make a specified issue of shares to persons in their community.

I have attached the community economic development plan for {name of CEDIF}, which outlines the information required by regulation that is not included in the body of the Simplified Offering Document. I have also attached the opening balance sheet for the company as prepared internally. The CED plan, opening balance sheet and offering document are a total of {#} pages in length.

The Memorandum of Association and Articles of Association are also included for your review.

I appreciate your assistance in facilitating this community initiative and welcome comments you may have to improve the application package and/or disclosure provided to potential investors.

Yours truly,

Chris Payne
Manager, Community Investment Funds

Encls.

cc: Chris Bryant
Executive Director
Community Economic Development Division
Nova Scotia Economic Development

Pursuant to Regulation 8(4) of the Community Economic-Development Corporations Regulations, the expression of interest form must contain the following warnings to potential security holders:

(a) that they should read and consider the offering document they will receive with respect to the offering, if the offering does in fact proceed;

(b) that they should consult with a professional advisor before deciding to buy shares under the offering; and

(c) that the expression of interest is not in any way a binding commitment to purchase shares under the offering.

Expression of Interest

To:_____

The undersigned, _____, hereby indicates his/ her/ its intention to purchase and subscribe for _____ of the common shares in the capital of _____ at the purchase price of $_____ per share in accordance with the conditions hereof.

The undersigned is not bound to subscribe for the shares. The subscriber will make his/ her/ its decision to invest or not invest subsequent to the Director of the Nova Scotia Securities Commission issuing a letter of non-objection to _____ Offering Document intended to be issued pursuant to the Community Economic-Development Corporations Regulations.

Dated this _____ day of _____, 2000

_____
Signature of Subscriber

_____
Print name of Subscriber

_____
Address in full

_____

Subscription Form

To: _____ (the "Company")

Subscription

The undersigned subscribes for a total of _____(minimum of ___) Common Shares without nominal or par value (the "Shares") of the Company, at a price of $_____ per Share. Enclosed herewith is a **cheque or money order** in the amount of $_____(minimum of $_____) payable to _____ (the "Trustee"), in trust, representing payment in full for the Shares (the "Subscription Place").

The undersigned acknowledges that the undersigned:

(a) has received a copy of the Company's Offering Document as prepared in accordance with the provisions of the Equity Tax Credit Act (Nova Scotia) with regard to the sale of the shares and further acknowledges that the undersigned is aware of and understands its contents including the "Restrictions on Resale of Securities" section contained therein;

(b) has received and obtained all of the information regarding the Company that the undersigned requires prior to making this subscription and that the undersigned's subscription has not been solicited in any way contrary to the provisions of the Securities Act (Nova Scotia) and the regulations thereto (the "Securities Act");

(c) understands that if the minimum Offering hereunder has not been achieved by _____, the Offering will be withdrawn and the proceeds of subscriptions will be returned to Investors without interest;

(d) understands that this subscription is given for valuable consideration and shall not be withdrawn or revoked by the undersigned. The acceptance of this subscription shall be effective upon delivery to the Company and the tender of the full Subscription Price by cheque or money order;

(e) understands that such funds will be held by the Trustee, in trust, on account of the undersigned until the minimum Offering achieved. After the minimum Offering of _____ Shares has been achieved, and the Shares issued and registered therefor, subscription funds will be available for investment upon request by the Company; and

(f) is aware that the Shares are being sold under special registration and prospectus exemptions under the Securities Act and acknowledges that the undersigned is not acquiring the Shares as a result of any information about the affairs of the Company that is not generally known to the public save the knowledge of this particular transaction contained in the Offering Document.

The undersigned hereby declares, represents and warrants that:

(a) the undersigned is purchasing the Shares as principal;

(b) the undersigned has attained the age of 19 years and is a resident of Nova Scotia;

(c) by virtue of the undersigned's investment experience or by virtue of the undersigned's consultation with or advice from professional advisors, the undersigned is in a position to evaluate the prospective investment on the basis of the Offering Document and, that the investment in the Shares is compatible with the undersigned's investment objective; and

(d) the undersigned is not a resident of the United States of America or any place subject to the jurisdiction thereof and is not acting directly or indirectly for any person who is resident of the United States of America or any place subject to the jurisdiction thereof.

The said Shares are to be registered as follows:

Name	Address	Number of Shares

Dated this _____ day of _____ , 2000.

Witness _____

Signature of
Subscriber _____

Note: The accepted subscription, Share Certificate and other documentation will be mailed to the subscriber at the address noted hereon. The Shares will be registered in the manner in which the subscriber's name appears hereon. Any change in the subscriber's address will only be effective on receipt of written notice thereof by the Company and the Trustee.

Receipt and acceptance of the foregoing subscription and payment of the Subscription Price is acknowledged as to _____ Shares by the Company this _____ day of _____ , 2000.

_____

Per: _____

_____ – _____ – _____
Social Insurance Number

_____
Full Name (please print)

_____
Street Address

_____
City, County and Province

_____
Postal Code

Name (print)	Signature	Address
_____	_____	_____
_____	_____	_____

Sales Agent _____

AGENCY NAME – NOM DE L'ORGANISME	DATE
NOVA SCOTIA SECURITIES COMMISSION **PO Box 458** **Halifax, Nova Scotia** **B3J 2P8**	

A APPLICANT – CANDIDAT

SURNAME – NOM DE FAMILLE	GIVEN 1 – 1er PRÉNOM	GIVEN 2 – 2e PRÉNOM	MAIDEN NAME – NOM DE JEUNE FILLE	SEX SEXE

ADDRESS – ADRESSE	BIRTHDATE – DATE DE NAISSANCE	BIRTHPLACE – LIEU DE NAISSANCE

IF FOREIGN BORN, INDICATE DATE OF ENTRY EN CAS DE NAISSANCE À L'ÉTRANGER, INDIQUER LA DATE D'ENTRÉE	DATE	HEIGHT – TAILLE	WEIGHT – POIDS	HAIR – CHEVEUX	EYES – YEUX

Have you ever been charged and/or convicted under the law of any Province, State or Country for which you have not been pardoned?
Avez-vous déjà fait l'objet d'une accusation ou d'une condamnation en vertu de la loi d'une province, d'un État ou d'un pays, pour laquelle vous n'avez pas obtenu un pardon?

If yes, provide details – Dans l'affirmative, donnez des précisions.

☐ NO
NON

"I understand that the information on my application for registration or license, or renewal thereof, will be used to conduct a suitability investigation regarding my application. I understand that if I fail to accurately disclose my criminal history information, it may constitute an offence under the Provincial Securities Act or equivalent, or under section 132 of the CRIMINAL CODE if made under oath. "

Je reconnais que les renseignements inscrits sur ma demande d'enregistrement ou de permis, ou de renouvellement de ce dernier, serviront à effectuer une enquête d'admissibilité en ce qui a trait à ma demande. Je reconnais également que si je ne divulgue pas exactement les renseignements contenus dans mon dossier judiciaire, je risque de commettre une infraction à la loi provinciale des valeurs mobilières ou l'équivalent, ou à l'article 132 du CODE CRIMINEL si la déclaration est faite sous serment.

Applicant's Signature – Signature du candidat _____ Date _____

B AGENCY – ORGANISME

FOREIGN ENQUIRY REQUESTED
ENQUÊTE À L'ÉTRANGER DEMANDÉE
☐ NO NON

If yes, provide foreign residential/business history. (attach seperate sheet)
Dans l'affirmative, fournir les antécédents résidentiels ou commerciaux à l'étranger. (annexer une feuille distincte)

If the check performed by the Royal Canadian Mounted Police reveals a failure by the applicant to accurately disclose his/her criminal history, release of the applicant's criminal record is hereby requested for the purpose of conducting an investigation of an offence: such release being authorized by Section 8(2)(a) of the Privacy Act.

Si la vérification effectuée par la Gendarmerie royale du Canada révèle que le candidat n'a pas divulgué exactement les renseignements contenus dans son dossier judiciaire, une copie du casier judiciaire du candidat est nécessaire pour mener une enquête sur une infraction, ainsi que l'autorise l'al .8(2)(a) de la LOI SUR LA PROTECTION DES RENSEIGNEMENTS PERSONNELS.

Agency Official's Signature – Signature du représentant de l'organisme _____ Date _____

Bank reference letter

{Financial institution letterhead}

Bank Reference #

{Date}

Nova Scotia Securities Commission
PO Box 458
Halifax, Nova Scotia
B3J 2P8

To Whom It May Concern:

Re: {CEDIF name and director's name}

{Director's name} is a client in good standing, responsible in discharging obligations with this institution, and in our view evidently competent in managing financial matters.

Yours truly,

{Representative of financial institution}

{Sender's name
Mailing address
Telephone number}

Nova Scotia Securities Commission
PO Box 458
Halifax, Nova Scotia
B3J 2P8

To Whom It May Concern:

Re: {CEDIF name and director's name}

I am well acquainted with {director's name}, a forthright person of character whom I believe to be generally held in regard by the {community name} community and whose integrity has not been in question throughout our relationship.

Yours truly,

{Sender's name}

Dear {Director's name}:

Re: {CEDIF name}

Form 1 - Simplified Offering Document
Plan of Distribution - Trading by Registrants

If a Community Economic-Development Corporation is using registrants as selling agents in item 11 of Form 1, the following guidelines and requirements must be complied with:

1. CEDC issuer may authorize one or more dealers registered in accordance with the Act and the rules and regulations made under the Act, and that are in good standing with the Commission, to trade in shares of the CEDC. An individual salesperson may not trade in securities of any kind, including but not restricted to CEDC shares, except on behalf of the dealer that employs him or her, whether or not the trades or securities are otherwise exempt from prospectus or registration requirements under the Act, rules or regulations. Staff in administering the CEDC Regulations will obtain a letter from the issuer authorizing each named dealer to trade in a specified issue of securities and a signed acceptance of each dealer agreeing to act as selling agent of the issuer in respect of a specified issue of securities.

2. Each authorized dealer will submit a letter to the Director acknowledging that it is fully liable for the actions of any of its individual salespeople in trading the shares of a specified CEDC issue and that it will fully discharge all its responsibilities as required by law and custom to its clients, including without limitation its statutory duty to determine the suitability of each proposed trade in any such shares for that client, and that each purchaser of any such securities will be considered a client of the dealer.

3. Dealers will be required to establish written procedures that, if they do not already so provide, shall require each authorized salesperson of the dealer to complete a new client application form for each trade involving the purchase of a CEDC share and shall require each trade to be vetted and approved in writing by the supervising manager of the authorized salesperson for compliance with all applicable requirements of the dealer or for which the dealer is responsible before the trade is completed.

4. A CEDC issuer will not be permitted to authorize a scholarship plan dealer, a real estate securities dealer or a security issuer to trade in securities of the CEDC issuer. A CEDC issuer will also not be permitted to authorize an individual registrant to be listed as a selling agent in the offering document.

5. In the case of a mutual fund dealer that has been authorized by a CEDC issuer to trade in shares of a specified CEDC issue, the Director shall not refuse to issue a letter of non-disapproval solely for that reason provided that the dealer has filed with the Director the names of each individual salesperson that it intends to approve as a seller of the specified share issue together with a statement of his or her qualification to do so with the requisite proficiency. Staff will review the qualifications of each salesperson whose name is submitted by a mutual fund dealer and having regard to their general education, experience and industry courses form an opinion and advise the Director in respect of each such salesperson whether he or she has demonstrated a reasonable level of proficiency to trade in the shares of a specified CEDC issue with due regard to the dealer's and salesperson's duties to the client. In all cases the supervising manager must meet the same standard, whether authorized to sell shares of a specified CEDC issue or not.

Any individual whose integrity or proficiency is in doubt, in light of all the circumstances known to Staff, will be rejected and a letter of non-disapproval will not be issued until the dealer has either withdrawn that salesperson's name and submitted the name of at least one salesperson and a supervising manager who meet the required standard or the CEDC issuer has revoked its authorization in respect of the mutual fund dealer.

If you have any questions or concerns regarding this matter, please do not hesitate to contact our office.

Yours very truly,

Donna Gouthro
Corporate Finance Officer
Nova Scotia Securities Commission

{Letterhead of brokerage firm}

{Date}

Director
Nova Scotia Securities Commission
PO Box 458
Halifax, Nova Scotia
B3J 2P8

Dear Sir/Madam:

Re: Offering of Securities pursuant to the
Community Economic-Development Corporations Regulations

This letter will acknowledge that the {name of broker} authorizes {name of agent} to trade in {name of specified issue of securities}.

Yours truly,

{Brokerage firm representative}

{Letterhead of dealer}

{Date}

Director
Nova Scotia Securities Commission
PO Box 458
Halifax, Nova Scotia
B3J 2P8

Dear Sir/Madam:

Re: Offering of Securities pursuant to the Community Economic-Development Corporations Regulations (the "Securities")

{Name of dealer} agrees to act as selling agent of {name of issuer} in respect of {name of specified Securities}.

{Name of dealer} acknowledges that it is fully liable for the actions of any of its individual salespeople in trading the shares of the Securities and that it will fully discharge all its responsibilities as required by law and custom to its clients, including, without limitation, its statutory duty to determine the suitability of each proposed trade in any such shares for that client, and that each purchaser of any such securities will be considered a client of {name of dealer}.

Attached is a copy of {name of dealer}'s written procedures that require each authorized salesperson of {name of dealer} to complete a new client application form for each trade involving the purchase of a share of the Securities and require each trade to be vetted and approved in writing by the supervising manager of the authorized salesperson for compliance with all applicable requirements of the {name of dealer} or for which {name of dealer} is responsible before the trade is completed.

Yours truly,

{Name of dealer}

Encl.

Agreement letter from mutual fund dealer

{Letterhead of mutual fund dealer}

{Date}

Director
Nova Scotia Securities Commission
PO Box 458
Halifax, Nova Scotia
B3J 2P8

Dear Sir/Madam:

Re: Offering of Securities pursuant to the Community Economic-Development Corporations Regulations (the "Securities")

{Name of dealer} agrees to act as selling agent of {name of issuer} in respect of {name of specified Securities}.

{Name of dealer} acknowledges that it is fully liable for the actions of any of its individual salespeople in trading the shares of the Securities and that it will fully discharge all its responsibilities as required by law and custom to its clients, including, without limitation, its statutory duty to determine the suitability of each proposed trade in any such shares for that client, and that each purchaser of any such securities will be considered a client of {name of dealer}.

Attached is a copy of {name of dealer}'s written procedures that require each authorized salesperson of {name of dealer} to complete a new client application form for each trade involving the purchase of a share of the Securities and require each trade to be vetted and approved in writing by the supervising manager of the authorized salesperson for compliance with all applicable requirements of the {name of dealer} or for which {name of dealer} is responsible before the trade is completed.

Attached also is a list of the names of each individual salesperson that {name of dealer} intends to approve as a seller of the specified share issue together with a statement of his or her qualifications to do so: general education, experience, and industry courses. The list includes the name and qualifications of the supervising manager and an indication of whether or not the supervising manager is approved as a seller of the specified share issue.

Yours truly,

{Name of dealer}

Encls.

NOVA SCOTIA
Department of Finance

Equity Tax Credit
Application for Certificate of Registration
for CED Initiatives

PART A – Company Information

Name _____
Address _____
_____
_____
_____

Corporation Number _____
Person to Contact _____
Telephone _____

PART B – Application Information

1) Indicate the Act under which the organization is incorporated. _____

2) What is the authorized capital of the corporation? (Attach sheet if necessary)
_____

3) Total salaries and wages paid in last taxation year? _____

Total salaries and wages paid in Nova Scotia last taxation year? _____

4) Total assets of the corporation and all associated corporations. _____

5) Describe the major business activities of the corporation and the percentage of the total assets included in 4 above that are used in each activity. (Attach sheet if necessary)
_____
_____

6) Is the proposed offering in compliance with the Nova Scotia Securities Act and Regulations? Explain _____

PART C – Inclusions
The following must be included with the application:

i) Complete financial statements for the preceding taxation year (income statement, balance sheet, statement of changes in financial position, etc.)
ii) A copy of the corporation's constitution/articles of incorporation.
iii) A copy of the community economic development plan.

PART D – Certification
I certify that I am an authorized officer of the applicant company and that the information contained in this application and its attachments is true and correct to the best of my knowledge and belief.

_____ _____
Name (please print) Position

_____
Signature

ETC-1 Rev. 12/99

See reverse for information on completing this form.

Equity Tax Credit
Application for Certificate of Registration
Application Guide for Community Economic Development Initiatives

The following guide should be referred to by community economic development corporations when completing an application for a Certificate of Eligibility pursuant to the Equity Tax Credit Act (the Act). Sections and item numbers listed below refer to identical sections and item numbers on the application form.

PART A – Company Information

Please ensure that this area is properly completed. The type of organization must be a co-operative or a corporation. It may be necessary for the Department to contact the corporation for additional information. Please include a contact person's name and phone number.

PART B – Application Information

1) An organization must be incorporated pursuant to the Nova Scotia Companies Act or the Co-operative Associations Act.

2) The company must have authorized capital consisting of shares without par value.

3) Wages and salaries paid in Nova Scotia must be paid to employees of a permanent place of business in Nova Scotia.

4) Total assets of the eligible business include assets of all associated corporations and means:
   i) the net carrying cost of assets that are not depreciated or amortized, and
   ii) the undepreciated or unamortized cost of all other assets.

   There can be no duplication in respect of i) or ii) above.

5) All or substantially all of the fair market value of the assets of the corporation, together with the assets of its associated corporations, must be used in an active business as defined by the Income Tax Act (Canada) or in shares or other eligible businesses. All or substantially all means 90% or more.

6) The proposed offering must comply with the provisions of the Nova Scotia Securities Act and Regulations. Please contact the Nova Scotia Securities Commission at 424-7768 if you have questions regarding compliance.

PART C – Inclusions

Please ensure that all required attachments accompany the application. This will assist in the approval process. Information on developing a community economic development plan can be obtained from the Department of Finance.

PART D – Certification

The application must be signed by an authorized officer of the corporation.

When completed, the application and attachments should be forwarded to:

Nova Scotia Department of Finance
Fiscal Policy Division
PO Box 187
Halifax, N.S. B3J 2N3

For more information, contact the Department of Finance at (902) 424-7379

{Letterhead of CEDIF}

{Date}

Director
Nova Scotia Securities Commission
PO Box 458
Halifax, Nova Scotia
B3J 2P8

Dear Sir/Madam:

Re: {Name of CEDIF, offering document date}

The directors of {name of CEDIF} are requesting an extension of the closing date until {new date} from {old date}.

It is understood that the directors will inform the individuals, in writing, who have already purchased shares in the company that there has been a {#}-day extension granted and that the current investors have the right to withdraw their investment if they so desire.

The directors agree to send the Nova Scotia Securities Commission a new signed and dated certificate page along with an amended item 17 of the Offering Document and a copy of the letter sent to current investors.

Enclosed please find a cheque, payable to the Minister of Finance, in the amount of $25.

Yours truly,

{Director's name}

Encl.

Advertising/ promotional disclaimer

Advertisements and other promotional material regarding Community Economic-Development Corporations must carry the following disclaimer:

> This advertisement is not to be construed as a public offering in Nova Scotia unless a Simplified Offering Document relating thereto has been filed with and its use has not been objected to by the Nova Scotia Securities Commission. The offering is made by the Simplified Offering Document only and copies thereof may be obtained from such sales agents and finders as may lawfully offer these securities in Nova Scotia.

CEDIFs at Work Across Nova Scotia

Isle Madame Investment Co-operative Limited

Cod fisherman becomes global businessman after building a better scallop cage

When fish farmer Allan Savoury lost 60% of his stock the first year, he knew it was time to build a better scallop cage. The result is a revolutionary design that allows the shellfish to grow faster and bigger. Today, the Savoury Cage is attracting oversea buyers.

Savoury was able to develop his cage after residents of his community invested in Allan Savoury Scallop and Mussel Farm through a Community Economic Development Investment Fund (CEDIF).

Isle Madame, on Cape Breton's southern coast, was one of the first communities in Nova Scotia to launch a CEDIF. Residents invested $150,000 in shares of Isle Madame Community Investment Co-operative Limited, which qualified them for a 30% personal tax credit and a 20% provincial guarantee and was RRSP-eligible for self-directed plans. Their first investment of $100,000 was in Savoury's business. Enterprise Cape Breton Corporation also gave the new entrepreneur a loan, while the Department of Fisheries provided technical advice and support.

Savoury, a former cod fisherman, started his scallop and mussel farm in 1991 with plans that first year to grow 100,000 scallops. When he lost upward of 60% of the shellfish, he took a good look at the small cage used, called a Japanese Lantern. Savoury concluded that the cage was too small and unstable when suspended in the water.

Unlike the Japanese Lantern, which holds 250 scallops, the Savoury Cage holds 2,400. Its size — a base of four square feet and a height of five feet — makes it stable and safer. The mortality rate for Savoury's design is 2% to 3%. The mortality rate for the Japanese Lantern, the industry standard and used globally, is 40% to 50%.

The key to his success rests with a complex — and confidential — system of buoys and anchorage that enables the large cage where the scallops feed to rest in the middle of the water. Because the scallops are more stable and feeding well, they also grow faster and bigger.

After a three-year trial, scallops in the Savoury Cage measured 3.25 inches. The scallops in a nearby Japanese Lantern measured only two inches. This means Savoury's scallops can hit the market in two years, half the time it normally takes.

The Nova Scotia Department of Fisheries is currently testing 50 Savoury Cages in a direct comparison with 50 Japanese Lanterns. So far there's no contest, Savoury says. His cage is beating the competition.

The interest in his invention led Savoury to open Savoury Marine Limited to produce the cages for commercial distribution. Buyers are lined up in Newfoundland and from outside the country.

Meanwhile, Savoury has 350 of the cages in use for himself. This year he'll grow one million scallops, which currently sell for 35 cents to 50 cents each. For the first time, the scallops will be processed in a plant Savoury bought on Isle Madame.

Adapted from an article by Donalee Moulton, published in the *Financial Post*, October 20, 1998.

West Nova Investment Co-operative Limited

Western Nova Scotians pool resources and strengthen their economy

For a forestry group in western Nova Scotia, economic stability and growth may lie in a government initiative called Community Economic Development Investment Funds, or CEDIFs.

West Nova Silva was created in 1991 to identify reliable markets for forestry products that a large mill in the area was no longer interested in buying. The group had some initial success, securing a contract for pit props and pulpwood cords. But the industry and its members still faced lean times.

To members of the group, it became apparent that West Nova Silva would need to move beyond marketing and take a more active role in silviculture and business operations. Achieving this would require increased financial support, and obtaining loans was — and still is — contingent on the organization's ability to demonstrate a commitment to the project through its own equity investment.

The CEDIF program emerged as a possible solution to the group's capital problems. West Nova Silva formed a co-operative, West Nova Investment Co-operative Limited, and prepared the necessary application for registration as a community development fund.

Individuals who invested into common shares of West Nova Investment Co-op received a 30% personal tax credit from the provincial government. Additionally, the federal government agreed to allow these shares to be held in a self-directed RRSP, and the provincial government guaranteed a further 20% of the principal invested.

The community supported the concept and residents invested about $300,000 into shares of the new co-operative. As a result, West Nova Investment Co-op, working with its local regional development authority, was able to strike up a partnership with two sawmills and an independent lumber broker to build and operate a stud mill in Meteghan.

"The West Nova Investment Co-op is a rare example of ordinary citizens, community-based companies, and government programs working in harmony for the benefit of all concerned," said co-op director Arcade Comeau. "While there is no guarantee that its story will have a happy ending — Eagle Timber's success is no more guaranteed than any other business — I'd be willing to bet it'll make a go of it. After all, there are a lot of people who have already put their money on the table."

An article by Scott Milsom in *Coastal Communities News*, May/June 1999, provides additional details on this project.

Concrete Investments Limited

One company's experience developing a community investment fund

Concrete Investments Limited was formed by a group of West Hants entrepreneurs for the purpose of making a single investment in an existing company: GS Concrete of Windsor Forks, N.S.

Formerly known as Gordon Shaw Concrete Products Limited, GS Concrete was expanding its production facility in Hants County and decided to seek equity rather than debt to finance the expansion. Although GS Concrete's balance sheet could sustain the additional debt, management preferred to minimize the company's exposure to the whims of the chartered banks in favour of answering to new shareholders.

Backed by a 32-year history of reliable operations and a solid balance sheet, GS Concrete seemed an appropriate "test" of the Community Economic Development Investment Fund (CEDIF) process.

Concrete Investments Limited began the application process by downloading a current blank version of the offering document from the Nova Scotia government website, www.gov.ns.ca/ecor/pubs/cedguide . The process was a learning experience for the company and governmental respondents to our application.

When the first draft was completed, it was informally submitted for comment to Nova Scotia Economic Development. Suggested revisions were incorporated, and it was then formally resubmitted to Nova Scotia Economic Development for forwarding to the Nova Scotia Securities Commission and the Department of Finance. Several revisions of specific sections of the offering document were carried out, each time following a quick turnaround by the securities commission.

The process was painstakingly detailed, but through it all, dealings with provincial representatives were conducted quickly, efficiently and helpfully. A person at the securities commission, selected as the company's contact, was responsible for co-ordinating the governmental reviews by Economic Development, the Department of Finance, and the securities commission.

It was an exciting moment for those of us at Concrete Investment Limit when we realized that our offering was ready to go — and we thought the worst was over! Then came the second phase of the CEDIF process: raising the capital.

The approval of our offering document came just before Christmas 1999, and our 90-day countdown to closing the share offering began. The holiday period was used to prepare copies of the needed documents, to compile lists of potential investors, and to delegate the approach to these potential investors.

We had thought the sale of the shares would be easy, and in fact, some sales were. Potential investors with personal relationships to the principals of GS Concrete and Concrete Investments Limited were ready and willing to participate in this new company.

However, the general population was more difficult to persuade. A snowstorm at the time of our only public meeting didn't help matters much, adversely affecting attendance.

As the deadline loomed, three criteria for success became fundamentally important. They were:

- raising the minimum amount stated in the offering document
- ensuring that we had a minimum of 25 investors, and
- ensuring that no single investor owned more than 10% of the shares

Reaching the minimum was not a problem, but incorporating the other two criteria into the mix had us scrambling right to the closing.

Shares were sold by Concrete Investments Limited directors and by Acadian Securities Incorporated. Acadian Securities opened many new self-directed RRSP accounts in the final days of the offering as subscription forms and cheques appeared. Victory Credit Union held the escrow account to ensure that the potential investors' funds were protected, and that they got to GS Concrete upon a successful share offering.

We are happy and proud to have successfully completed our CEDIF offering. We've also learned some valuable lessons that we will be able to apply to future projects. Several of the directors of Concrete Investments Limited are already involved in other CEDIF applications. And as a group, we're more committed than ever to improving the economy of Nova Scotia by keeping our investment dollars working at home.

Contributed by D. Lloyd Zinck, president of Concrete Investments Limited, 2000.

Hants Ventures Incorporated

Valley residents venture into the digital realm with a CEDIF

A New Age kind of company has emerged on Nova Scotia's business landscape as a result of a Community Economic Development Investment Fund (CEDIF).

The Production School House, through Hants Venture Incorporated, has used the provincial CEDIF program to acquire startup funding for its digital media development centre in Windsor, N.S.

Initial services will include working with organizations and individuals to develop products and businesses involving the use of information technology and digital media. The Production School House is also working on plans to offer Certified Macromedia and SGI training workshops.

The use of a CEDIF for this type of project was a new approach, but the residents of the area solidly backed the effort. Hants Venture secured $400,000 in investment after 90 days. Of the 47 investors, 75% were from the Annapolis Valley and 32% from the Windsor area alone.

"There is more to this than just getting financing to start a business," said Dana Morin, Production School House executive director who was elated with the community support. "The real story is more about the people, dreams and goals of a small town. This has been about gathering the support of our community, friends, and family to make a definite impact on the culture and economy of the region."

Morin and his team have now begun the work of creating the facility that will benefit their clients and substantiate the trust placed in them by its investors. The first step was to take possession of the former Imperial Theatre and adjacent commercial spaces, which they have begun to renovate.

The Production School House's 40-week digital media production program, a unique combination of commercial business startup and professional development, has already attracted clients who will develop products for the Web while expanding their entrepreneurial and production skills.

One of the Production School House's clients, Eastlink Communications, intends to explore creation of value-added products in CD-ROM and DVD format as an integral part of conventional television production output, as well as Web-based launching platforms for single and multi-stream broadcasting. At the same time, it plans to develop a business plan for its expanding museum.

The Hants Regional Development Authority is also a client. Its project is to enhance the Hants County website by adding a searchable business directory. The aim is to list all 1,900-plus Hants County businesses and link each business to its own website. A basic page will be generated if the business does not yet have its own site.

For more information about the Production School House, its services and clients — including the Enterprise Centre of Hants County, the Windsor Hockey Heritage Society and TheShipsList — visit www.productionschoolhouse.com .

Contributed by Susan Marsh, director of the Production School House, 2000.

Other CEDIFs are also being developed or have closed; some are listed below. Articles on these funds will be added to the Web version of this guide as they become available. They will also be included in the next published edition.

Adventus Incorporated

Antigonish Investment Fund

Avon Spirit Investment Co-operative Limited

BCA Investment Co-operative Limited

Chebucto Hills Golf Limited

Cumberland Community Investments Limited

Heritage Investment Properties Incorporated

Highest Tides Investment Co-operative Limited

Ledgers Canada Holdings Limited

UJ LeBlanc Investment Co-operative Limited

West Nova Cranberry Fund

West Nova Agro Commodities Limited

Glossary and Appendices

Glossary

This glossary is intended to assist individuals who do not frequently use business language. It is by no means an exhaustive listing. It does, however, introduce most of the terms typically encountered in reviewing investment information and proposals.

A

Accounts payable - money owed by a company for goods or services purchased that is payable within one year; distinct from long-term debt

Accounts receivable - money owed to a company for goods or services it has sold for which payment is expected within one year

Accrual accounting - a method of keeping accounts that shows expenses incurred and income earned for a given period, although such expenses and income may not have been actually paid or received in cash

Accrued liability - a claim by another party, arising from the purchase of services or use of money (also see **liability**)

Additional offering - an offering that is subsequent to an initial public offering and adds to the outstanding number of shares a company issued previously

Affiliated company - a company with less than 50% of its shares owned by another corporation, or one whose stock, with that of another corporation, is owned by the same controlling interests

Amortization - gradually writing off the value of an intangible asset over a period of time

Annual report - the formal financial statements and report on operations issued by a company to its shareholders after its fiscal year-end

Appraisal - valuation or estimation of value by any impartial, disinterested person of suitable qualifications

Arm's length - a transaction freely arrived at in the open market and unaffected by abnormal pressures; persons each acting for their own interest

Arbitration - the determination of a dispute by a disinterested third party

Assessment - a value placed upon property for taxation purposes

Assets - a possession having value; everything a company or person owns or has owed to it

Associated company - a company owned jointly by two or more other companies

B

Balance sheet - a picture of a business's financial affairs at a particular point in time; a financial statement showing a company's assets, liabilities and shareholders' equity on a given date

Bank rate - the rate at which the Bank of Canada charges loans to the chartered banks

Bankrupt - the legal status of an individual or company that is unable to pay its creditors

Bear - one who expects that the market generally or the market price of a particular security will decline

Blue chip - an active, leading, nationally known common stock with a record of continuous dividend payments and other strong investment qualities

Blue Sky - a slang term for laws that provinces have enacted to protect the public against securities frauds; the term "Blue Skyed" is used to indicate that a new issue has been cleared by a securities commission and may be distributed.

Bona fide - in good faith, with valuable consideration and with absence of any problems

Book value - the capital amount at which property is shown on the books of an account; usually, the original cost less depreciation

Bull - one who expects that the market generally or the market price of a particular security will rise

C

Capital cost allowance - deduction from income, allowed under the Income Tax Act, to reflect the use of an asset in the operations of a business; the amount may differ from depreciation

Capitalization or capital structure - total dollar amount of all debt, preferred and common stock, contributed surplus and retained earnings of a company

Capital gain or loss - the profit or loss resulting from the sale of a capital asset; tax consequences may result if held outside of an individual's RRSP

Capital stock - all shares representing ownership of a company, including preferred as well as common

Cash - legal tender; coin, bank notes, money orders, cheques and the balances of deposits at banks and other financial institutions

Cash flow - a company's net income for a stated period plus any deductions that are not paid out in actual cash, such as depreciation, amortization, deferred income taxes, minority interest

Caveat emptor - "let the buyer beware" – i.e., the onus is on the buyer to examine the goods or property he or she is buying

Chattels - movable possessions, personal property.

Closing - the conclusion or consummation of a transaction.

Collateral - property pledged by a borrower as a guarantee for repayment of a loan

Common stock - securities representing ownership in a company and carrying voting privileges.

Community - the social state where life is in association with others; persons having common or equal rank and/or living in the same locality or organized in political, municipal or social unity; a collection of individuals that have a common focus, interest or motivation; can be geographic, social, historical, or cultural, for example.

Contract - a legally binding agreement between two or more capable persons for consideration or value, to do or not do some lawful and genuinely intended act

Contributed surplus - capital donations from sources other than shareholders, e.g., the non-repayable portion of a government loan

Corporation - a form of business organization that has a separate legal identity from its owners

D

Debt - money borrowed from lenders for a variety of corporate purposes

Debt financing - making a loan to a business; usually for a defined term, at a defined rate of interest, with an agreed upon repayment schedule

Deferred charges - a long-term expense prepayment; not a capital expenditure

Deferred income taxes - income tax that would otherwise be payable currently, but which is deferred by using larger allowable deductions in calculating taxable income than those used in calculating net income in the financial statements; an acceptable practice, it is usually the result of timing differences and represents differences in accounting reporting guidelines and tax reporting guidelines

Depreciation - the continual reduction in the service capacity of fixed assets arising from normal wear and tear that cannot be prevented by maintenance practices

Director - person elected by voting common shareholders at the annual meeting to direct company policies

Diversification - spreading investment risk by buying different securities in different companies in different kinds of businesses and/or locations

E

Earnings per share - the portion of net income for a period attributable to a single common share of a company

Efficient market hypothesis - the theory that a stock's price reflects all available information and reflects its true value; i.e., no "insider information"

Equity - residual interest in assets after deducting related liabilities; common plus preferred

Equity financing - capital provided to business through taking an ownership position, typically by the purchase of common shares of the business; equity investments are usually long-term and open-ended with the return to the investor determined by the success of the business

F

Fiduciary - the duty of acting for the benefit of another party as to matters coming within the scope of the relationship between them

Financial statement - Three types of financial statements prepared by a public accountant are:

Audited - highest level of accuracy/reliability of the statement

Review engagement - not as detailed, or costly, as an audit

Notice to reader - using information supplied by client only; no assurance of accuracy

Fiscal policy - government policy to direct the economy through taxation and the level and allocation of public spending

Fiscal year - a corporation's accounting year for taxation purposes

Fixed assets - tangible, long-term asset such as land, building or equipment held for use rather than processing or resale

G

Goodwill - an intangible asset of a business when the business has value to a prospective purchaser in excess of the sum of its net identifiable assets; frequently related to factors such as a favourable record of management performance or relations with customers, employees or creditors

I

Income statement - a financial statement that shows a company's revenues and expenditures resulting in either a profit or loss during a financial period

Income (other) taxes payable - the amount payable in the current year plus any arrears from prior periods

Initial public offering (IPO) - an issue of securities offered to the public for investment for the first time

Insider - all directors and senior officers of a corporation and those who may also be presumed to have access to inside information concerning the company; also, anyone owning more than 10% of the voting shares in a corporation

Intangible asset - an asset having no physical substance, e.g., goodwill, patents, franchises

Interest - money charged by a lender to a borrower for the use of money.

Inventory - items of tangible property that are held for sale in the ordinary course of business, or are being produced for sale, or are to be consumed, directly or indirectly, in the production of goods or services to be available for sale

Investments - expenditures to acquire an asset that is expected to yield future revenue or services; the use of money to make more money, gain income or increase capital

Investor - one whose primary concern is the minimization of risk, in contrast to the **speculator**, who is prepared to accept calculated risk in the hope of making better-than-average profits, or the gambler, who is prepared to take even greater risks

L

Labour-Sponsored Venture Capital Corporations (LSVCCs) - investment funds, sponsored by labour organizations, that have a specific mandate to invest in small and medium-sized businesses; to encourage this mandate, governments offer generous tax credits to investors in LSVCCs

Leverage - the use of borrowed money to increase return on investment; for positive leverage, the rate of return on the investment must be greater than the cost of the money borrowed

Liabilities - claims on the assets of a business

Limited liability - the liability of the company's shareholders is limited to the money they paid to buy the shares

Line of credit - an agreement by a commercial bank or other financial institution to extend credit up to a certain amount on a revolving basis

Loan guarantee - agreement to repay all (or part) of the loan should the business default on its obligation (fee based); this allows the business to obtain a loan from a conventional lending source (bank or credit union) and/ or reduces the rate or security required by the lender

Loans payable - line of credit or operating loans

M

Market value - the highest price that a buyer, willing but not compelled to buy, would pay, and the lowest a seller, willing but not compelled to sell, would accept

Material change - a change in the affair of a company that is expected to have a significant effect on the value of its securities

N

Net earnings - that part of a company's profits remaining after all expenses and taxes have been paid and out of which dividends may be paid

No-par value - a common stock with no stated face value

Notes payable - a promise in writing to pay on demand, or at a future time, a sum of money

Notes receivable - a receivable evidenced by a promissory note

Par value - the stated face value of a bond or stock expressed as a dollar amount per share; par value of a common stock usually has little relationship to the current market value and so no-par value stock is now more common; par value of a preferred stock is significant as it indicates the dollar amount of assets each preferred share would be entitled to should the company be liquidated

P

Personal liability - the borrower's assets are pledged or subject to claim in addition to a primary security

Power of attorney - a written instrument duly signed and executed by an owner of property authorizing someone to act on behalf of the owner

Preferred stock - a class of share capital that entitles the owners to a fixed dividend ahead of the company's common shares and to a stated dollar value per share in the event of liquidation

Prepaid expenses - a short-term expense prepayment

Prime rate - the rate at which financial institutions lend to their best customers

Prospectus - a legal document that describes securities being offered for sale to the public

R

Random walk theory - the theory that stock price movements are random and bear no relationship to past movements

Registered Retirement Savings Plan (RRSP) - a vehicle available to individuals to defer tax on specified amount of money to be used for retirement; the holder invests money in one or more of a variety of investment vehicles that are held in trust under the plan; income tax on contributions and earnings within the plan is deferred until the money is withdrawn

Registered Retirement Income Fund (RRIF) - a tax deferral vehicle available to RRSP holders; the plan-holder invests the funds in the RRIF and must withdraw a certain amount each year; income tax would be due on the funds withdrawn.

Retained earnings - the accumulated balance of income, net of losses, after dividends and other charges or credits

Return on equity (ROE) - the annual cash flow after debt service divided by the total equity invested in the property; expressed as a percentage

Return on investment (ROI) - the annual cash flow after debt service divided by the total amount of an individual's investment in the property; expressed as a percentage

Risk averse - an investor unable or unwilling to accept the probability or chance of losing capital

S

Segregated funds - insurance companies sell these funds as an alternative to conventional mutual funds; a unique feature is that regardless of performance, it guarantees at least a minimum percentage of the investor's payments into the fund will be returned when the fund matures

Shareholders' equity - the difference between the assets and liabilities of a corporation (net worth); ownership interest in common and preferred shareholders in a company

Shareholder loans - a temporary infusion of funds

Share capital - the number and value of shares of each class of capital stock that a company may issue in accordance with its incorporation documents

Speculator - one who is prepared to accept calculated risks in the marketplace; objectives are usually short to medium-term capital gain, as opposed to regular income and safety of principal

Spousal RRSP - a special type of RRSP to which one spouse contributes to a plan registered in the beneficiary spouse's name; the contributor receives the tax deduction.

Statement of changes in financial position - a financial statement that provides information as to how a company generated and spent its cash during the year

Subordinated debt - a debt that is inferior to the interest to another in the same property

T

Tangible property - property that is palpable, material and physical in its nature

U

Unequivocal - not ambiguous; clear

Unilateral - one-sided

Appendix A

Economic Development Business Service Centres

Location	Staff	Phone/ fax/ e-mail
Amherst 35 Church Street PO Box 458 Amherst, NS B4H 4A1	David Lake	(902) 667-3223/ 667-2270
Antigonish 20 St. Andrews Street Antigonish, NS B2G 2H1	Sonny Alexander	(902) 863-7380/ 863-7477
Bridgewater 77 Dufferin Street Bridgewater, NS B4V 3W8	Neil Emenau	(902) 543-0515/ 543-0515/ accessns.bwater.vcrocker
Halifax Canada/Nova Scotia Business Service Centre 1575 Brunswick Street Halifax, NS B3J 2G1	Fred Terrio Bill Oland	(902) 426-4800 or 426-8604 [Terrio: 426-2001, Oland: 426-4597]/ 426-6530/ oland.bill@cbsc.ic.gc.ca
Kentville 28 Aberdeen Street, Suite 2 Kentville, NS B4N 2N1	Louise Watson	(902) 679-6116/ 679-6094/ lwatson@gov.ns.ca
New Glasgow 980 East River Road PO Box 1021 New Glasgow, NS B2H 5N8	Lynn Coffin	(902) 755-7040/ 755-4018/ lcoffin@gov.ns.ca
Port Hawkesbury 32 Paint Street PO Box 219 Port Hawkesbury, NS B0E 2V0	Albert LeBlanc	(902) 625-3200/ 625-3069
Sydney 338 Charlotte Street, 1st Floor Sydney, NS B1P 1C8	Ross Kennedy Shawn Shea	(902) 563-2070/ 563-0500
Truro 35 Commercial Street, Suite 101 Truro, NS B2N 3H9	John Robertson Co-ops: Fred Pierce	(902) 893-6150 [Pierce: 893-6190]/ 893-6108
Windsor 80 Water Street PO Box 2848 Windsor, NS B0W 2T0	Kathryn Malone-Downey	(902) 798-6961/ 798-6644
Yarmouth 103 Water Street Yarmouth, NS B5A 4P4	Robert Maillet Irvin Surette	(902) 742-8404/ 742-0019

Appendix B

Regional Development Authorities

Organization	Contact person	Phone/ fax/ e-mail
Antigonish Regional Development Authority	John Parker	(902) 863-3330/ 863-4095/ arda@ns.sympatico.ca
Cape Breton County Economic Development Authority	Eileen Lannon-Oldford	1-800-818-2201 or (902) 562-2201/ 562-2866/ eoldford@cbceda.org.ca
Colchester Regional Development Agency	Anna Parks	(902) 893-0140/ 897-1157/ corda@north.nsis.com.ns.ca
Cumberland Regional Economic Development Association	Rhonda Kelly	(902) 667-3638/ 667-2270/ cerc@atcon.com
Greater Halifax Partnership	Michael MacDonald	(902) 490-6000/ 490-6010/ mjmacdon@istar.ca
Guysborough County Regional Development Authority	Dan Gillis	(902) 533-3731/ 533-2064/ guysrda@atcon.com
Halifax Regional Development Agency	Greg Brown	1-800-650-0039 or (902) 869-4040/ 869-4091/ hrda@atcon.com
Hants Regional Development Authority	Harold Irving	(902) 883-3338/ 883-3024/ hantsrda@istar.ca
Kings CED Agency	Robin Marshall	(902) 678-2298/ 678-2324/ kingsced@fox.nstn.ca
Lunenburg/Queens Regional Development Agency	Jim Brown	(902) 543-0491/ 543-1156/ logan@atcon.com
Pictou Regional Development Commission	Robert Roy	1-888-412-0072 or (902) 752-6159/ 755-2722/ prdc@fox.nstn.ca
South West Shore Development Authority	Frank Anderson	(902) 742-3021/ 742-3107/ swsday@atcon.com
Strait Highlands Regional Development Authority	Phil MacDonald	1-800-546-3390 or (902) 625-3929/ 625-1559/ vmacdona@fox.nstn.ca
Western Valley Development Authority	Janet Larkman	(902) 665-4083/ 665-2878/ wvda@fox.nstn.ca

Appendix C

Community Business Development Corporations

Organization	Contact person	Phone/ fax/ e-mail
Nova Scotia Association of Community Business Development Corporations	Bob Hanna	(902) 893-1487/ 8931157/ dhovey@north.nsis.com
Digby-Clare Business Development Centre	Monty Snider	(902) 245-6166/ 245-5011/ msnider@cbdc.acoa.ca
Yarmouth Regional Business Corporation Limited	Barbara Hubbard	(902) 742-5364/ 742-1027/ bhubbard@gov.ns.ca
Shelburne County Business Development Centre	Mark Walsh	(902) 875-1133/ 875-4199/ ghenniga@cbdc.acoa.ca
South Shore Opportunities Incorporated – Liverpool	Krista Harding	(902) 354-2616/ 354-7355/ kharding@cbdc.acoa.ca
Hants-Kings Business Development Centre Limited	Ken Crichton	(902) 798-5717/ 798-0404/ kcrichto@cbdcacoa.ca
Annapolis Ventures Limited – Bridgetown	Elizabeth Rice	(902) 665-2635/ 665-2769/ erice@cbdc.acoa.ca
Cumberland Development Corporation Limited – Amherst	Arnot Coish	(902) 667-5700/ 667-1452/ acoish@cbdc.acoa.ca
Northern Opportunities for Business Limited – New Glasgow	Ron O'Brien	(902) 752-7402/ 752-8856/ robrien@cbdc.acoa.ca
Blue Water Business Development Corporation – Sheet Harbour	Gary Keating	(902) 885-2773/ 885-2417/ gkeating@cbdc.acoa.ca
Guysborough County Business Development Centre	Shauna Scott	(902) 533-2770/ 533-2064/ bryan@cbdc.acoa.ca
Coastal Business Opportunities Incorporated – Sydney	Patricia MacNeil	(902) 539-4332/ 562-1016/ pmacneil@ecbc.ca
Northside Economic Development Assistance Corporation – Sydney Mines	Bruce MacDonald	(902) 736-6211/ 736-6312/ bmacdon3@cbdc.acoa.ca
Inrich Business Development Centre Limited – Inverness	Perry Chandler	(902) 258-3697/ 258-3689/ pchandle@cbdc.acoa.ca

NOVA SCOTIA

Nova Scotia Equity Tax Credit Information Guide

Introduction

Introduced in 1993 and revised by the April 1995 Budget Address, the Equity Tax Credit, or ETC, is designed to assist Nova Scotia small businesses, co-operatives and community economic development (CED) initiatives in obtaining equity financing by offering a personal income tax credit to individuals investing in eligible businesses. Equity financing is an alternative to other forms of financing such as debt and traditional government assistance.

The credit is not a grant nor is it considered to be a tax shelter.

Eligible Investors

The credit is available to residents of Nova Scotia who are over 19 year of age and who have bona fide reasons for making the investment, other than simply obtaining the tax credit. Each eligible issue of shares must have at least three eligible investors.

It should be noted that any approval of shares issued under the program does not constitute an endorsement by government of the corporation or co-operative issuing the shares. The Province does not guaranty any investment. The investor is at risk for his or her investment.

Eligible Investments

In the case of corporations, eligible investments must be newly issued common voting shares of the corporation that are non-redeemable, non-convertible and are not restricted in profit sharing or participation upon dissolution. The shares cannot be eligible for any other tax credit or deduction allowed under the Income Tax Act, except as a deduction for RRSP purposes.

In the case of co-operatives, eligible investments must be a share that would, if it were the only share issued to the investor, allow the investor to be a member in the co-operative and allow the member to participate in the affairs of the co-operative.

In addition, shares are not eligible if the investor disposed of any shares of the eligible business at any time after September 30, 1993 and before the specified issue of shares. The specified issue of shares means the shares that are specified in the application of the eligible business to which a Certificate of Registration applies.

Eligible Businesses

Eligible businesses include corporations and co-operatives incorporated pursuant to the laws of Canada, including CED corporations and co-operatives. CED corporations and co-operatives are those organizations created to assist or develop local businesses within the community. The CED corporation or co-operative raises capital by issuing shares to individuals and in turn invests that capital in local businesses.

In addition, eligible businesses must meet the following criteria:

- involved in active business or investing in other eligible businesses,
- less than $25 million in assets,
- at least 25% of salaries and wages paid in Nova Scotia,
- Corporations must have authorized capital consisting of shares without par value,
- Co-operatives must be marketing, producing or employee co-operatives,
- Corporations must have at least three eligible investors taking part in the specified issue.

Application

An eligible business must make application to the Department of Finance to obtain a Certificate of Registration. This Certificate makes the specified shares eligible for the tax credit. Pre-approval of eligibility is required. This eligibility does not constitute any approval that may be required from the Securities Commission under the Securities Act.

Application forms can be obtained from the Department of Finance. In addition to the application form, the following information must be included:

- financial statements for the preceding taxation year and a copy of the T2 income tax return,
- a copy of the articles of association or constitution of the corporation,
- in the case of private corporations, a list of proposed investors including name, address,

social insurance number and occupation along with a signed statement from each that the information contained in the application with respect to each investor is true and correct and that their investment will meet the spirit and intent of the Act,

- except in the case of CED corporations or co-operatives, a business plan detailing the amount to be raised by the specified issue, the proposed use of funds raised by the issue, a summary of the major business activities of the corporation including major revenue sources and a listing of all Directors of the corporation including names, addresses and background information.

- in the case of CED corporations or co-operatives, a community economic development plan containing the economic development strategy of the organization, the community it serves, the amount of capital to be raised by the issue, details of the type of shares to be issued and provisions for the issue of investment certificates.

Prohibited Use of Funds

Funds raised by the eligible business must be used in an active business and cannot be used for any of the following purposes:

- lending, except under prescribed conditions,

- purchasing shares, other than shares in other eligible businesses,

- paying dividends or repaying shareholder debt to a Director, shareholder or officer of the business or an associate of a Director, shareholder or officer of the eligible business,

- for purchasing services or assets from the Province to carry on a business activity that is the same or similar to the activity carried on by the Province where that eligible business has received any assistance from the Province,

- the redemption of shares or the funding of the purchase of all or substantially all of the assets of a previously existing proprietorship, partnership, joint venture, trust or company, except where that firm is in receivership or bankruptcy

- the purchase of assets or services by the eligible business for a price greater than fair market value.

Tax Credit

Beginning with the 1995 taxation year, the tax credit is calculated at 30% of the investment made by the individual to a maximum annual investment of $30,000 (maximum annual credit of $9,000). The investment may be made within the calendar year or within 60 days of the end of the taxation year. The credit is not refundable but may be carried forward for seven years or carried back three years, however, the credit cannot be carried back beyond the 1995 taxation year. The maximum credit which can be claimed in a single taxation year (including current year and the carry forward or back amounts) cannot exceed $9,000. These provision were announced in the April 1995 Nova Scotia Budget. For the 1994 taxation year, the tax credit was calculated at 25% of the investment made by the individual to a maximum annual investment of $10,000 (maximum annual tax credit of $2,500). For investments made in 1994 the credit was not refundable and could not be carried forward to future years. The individual must have had sufficient tax payable in 1994 or the credit will be lost.

Tax credit receipts will be issued by the Department of Finance and must be submitted with the individuals T1 Income Tax return for the year.

Investors are required to hold the investment for at least four years. If an investment is disposed of, within this four year period, the individual may be required to repay the tax credits earned.

Additional Information

Additional information may be obtained by contacting:

Nova Scotia Department of Finance
Fiscal Policy Division
P.O. Box 187,
Halifax, Nova Scotia,
B3J 2N3
Phone: (902) 424-7379
Fax: (902) 424-0590
E-mail: queripmr@gov.ns.ca

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